

**INSIDE: The growing horror of child sexual abuse**

# **Macleane's**

JANUARY 27, 1986

CANADA'S WEEKLY NEWSMAGAZINE

\$1.75

## **The dollar in danger**

**Why the dollar  
is falling**

**How it affects  
consumers**

**What the  
government  
can do**

**Finance Minister  
Michael Wilson**



For Lois Cowan Jones, juggling a variety of jobs comes easy when you've got McDonald's experience behind you.

At 27 years of age, Lois (née Cowan) Jones is a woman who knows how to take charge. Blessed with a quirk sense, and a healthy sense of humor, Jones has a voracious appetite for business and a solid commitment to a job well done.

#### "McDonald's sees my Alma Mater."

As Manager of Commercial Production for CJOH-TV in Ottawa, Lois Jones is responsible for the writing, directing and production of TV commercials for local clients, as well as the supervision of a small department. She enthusiastically attributes her ability to juggle a variety of jobs to her three years at McDonald's. McDonald's, she says sputtering, was her 'Alma Mater'.

"Working at McDonald's taught me a great deal. I came away with the feeling that customers were everything. Without them, you wouldn't have a job. It's the same here. Without my clients, where would I be?"

#### "At McDonald's, it was 'Time to Learn, Time to Clean!'"

"At McDonald's, they have a motto. 'Time to Learn, Time to Clean.' It really stuck in. Even if I have only 5 minutes, I want to make that 5 minutes pos-



Lois Jones, Manager of Commercial Production for CJOH-TV.

itively. At McDonald's, if you saw something that needed doing, management would encourage you to do it, they'd expect you to do it. They hired bright people for a reason.

#### "Just like at McDonald's, I'm always on the go here. I love it!"

From McDonald's to a Fine Arts degree and a short stint in graphic design, Jones moved into television. Hired as a receptionist for a consultant at CKMT in North Bay, she quickly saw the need for a personable person. Counting the position herself by writing simple, informative copy like "Coming Up Next..." and "Tonight on the Late Show..." she then walked into a copywriter's job when the leave writer went on vacation then stayed on after his return. After that it was off to CJOH in 1979 where she's been ever since.



"I'm always on the go here and I love it. I'm constantly meeting new people, gathering new information, learning about new businesses. It's exciting. The people part of my job at CJOH is very similar to my work at McDonald's. At McDonald's I worked the 'window' which was the cash and counter area and later I was promoted to hostess.

I was dealing with new people all the time. The enthusiasm and the smile for everyone I required then. I require now. McDonald's gave me basic training in public relations.

Thinking back, the place still smiles at me. People didn't come to



Lois Jones working at McDonald's.

McDonald's just to buy hamburgers. They came for McDonald's for the character of the place, for the place itself. People still go for that. My daughter, Arden, is two years old. And she loves it there.

Working at McDonald's wasn't just a job. It was an event."

People. Our most important ingredient.



# Maclean's

JANUARY 27, 1986 VOL. 36 NO. 4

## COVER

### The troubled dollar

While international money traders fared the Canadian dollar to a record low last week, interest rates for loans and mortgages increased. Ottawa hastened to reassure the country that the effects of the dollar's decline would be temporary, and the Conservatives forged new economic directions—including a reduction in the deficit.

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### 'Hold on to your hats'

As Parliament resumed sitting last week after a three-week holiday recess, a pep talk from Prime Minister Brian Mulroney reminded a divided Tory caucus.

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### The crisis in insurance

Cities, businesses and clubs across the country were scrambling to find increasingly scarce liability insurance, and federal politicians have demanded an inquiry.

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### A spreading air of violence

Washington's argument with Moscow Khadafi heated up. Mid-east tensions erupted and the newspapers reinforced their Mediterranean focus.

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### Queen Elizabeth II by Karsh

Ottawa's Yusuf Karsh shares impressions of the famous people he has photographed in a documentary, Karsh: The Searching Eye, airing on CBC TV this week.

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## Toward freer trade

The striking weakness that the Canadian dollar displayed last week is one of the most compelling arguments available for Ottawa to proceed swiftly to negotiate a new, freer commercial trade agreement with the United States. The steady erosion of the dollar's buying power abroad is an unmistakable indication that investors, large and small, are gradually losing their confidence in the ability of a nation of only 25 million people to maintain a standard of living roughly equal to that of the United States, with a market of about 250 million consumers.



Real and Favorite Indicators

Only when Canada becomes an acceptable part of a large and secure North American trading base will it be seen as a fully secure and viable economic entity, and only then will the periodic nervousness that hinders its currency be reduced to insignificant levels. As it is, the Bank of Canada, with Ottawa's approval, is forced to spend large amounts of precious foreign currency holdings and raise interest rates each time there is an appetizing attack on the dollar. And rarely is it clear why, or from where, the selling waves erupt.

As Senior Editor Angela Ferrante, who oversees this week's cover package, commented, "For policymakers, one of the most frustrating aspects of the falling dollar is that it is taking place at a time when most economic indicators are relatively healthy and when there are no clear—or classic—explanations for the drop." Added Business Editor Patricia Reid, "After each attack you ask, 'Why?' But in the end it is usually the result of an emotional, instinctive sense that the dollar is vulnerable and there are profits to be made."

*Kevin Doyle*

March 31, 1985

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Kevin Doyle

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# VOLVO JOYFULLY ANNOUNCES LEANER TIMES AHEAD. AND BEHIND. THE NEW 240 SERIES.



Cast your eyes over its length, the front and then the rear of the new Volvo 240 Series. You may have some difficulty in spotting the changes. This is as we intended it to be. When altering one of the most successful automobiles in our history, we employed more than a little discretion. We also employed some of the most advanced thinking on aerodynamic design.

The results are a lower, leaner front-end,

new headlight design and a new grill. There is also a new rear-end profile allowing the 240 Series to glide through the air with the greatest of ease.

All this to say that one of the world's most enduring, quality automobiles now has two more endearing qualities. Wonderfully satisfying performance and a stylish new figure. Both coming **VOLVO** and going.



## The colonels' legacy

At the time, few Greeks took the incident seriously. In the early hours of April 21, 1967, tanks filled the streets of Athens. In a lightning coup headed by an ardent right-wing colonel, George Papadopoulos, a handful of military leaders seized power from a fractious civilian government.

"We thought they were a joke," said one civil servant. "We never dreamed they would last seven years." The colonels seized power at a time when relations between King Constantine and a series of civilian governments had seriously soured. But the colonels were no more adept at bring-

ing stability to Greece. Indeed in 1967 Papadopoulos himself was ousted by an equally ambitious rival, Brig-Gen. Dimitrios Ioannides. The second military regime, emboldened and inspired, handed power over to civilian politicians within a year. Today, despite repeated appeals for amnesia, the colonels and some of their accomplices continue to serve life sentences in prison for high treason and insurrection—but their legacy remains.

Although many Greeks express eagerness to forget military rule, its effect on the nation is still evident. Throughout the period the Greek economy stagnated, crippled by spreading bureaucratic controls, graft and soaring inflation. Although succeeding civilian governments have since brought the inflation rate under control—it now stands at about 16 per cent compared to about 22 per cent in 1974—the nation is struggling to pay off a \$13-billion public debt. An Athens journalist, Giorgos Gatsos, bitterly recalled recently, "The junta interrupted Greece's economic development by running the country through corruption and favoritism." The colonels also left the nation's fragile democratic institutions shattered after banning all political activity and censoring the media. As a result, many Greek artists and intellectuals fled abroad, although most have now returned.

As for the colonels who once dominated Greece, they remain a potent reminder of the military's power during times of instability. Lawyers have sought—without success—to have Papadopoulos's life sentence revoked on technical grounds, arguing that the 1967 coup was in fact a revolution and therefore constituted a legitimate government. Meanwhile, Papadopoulos, Ioannides and 19 other military leaders lead lonely, if comfortable, lives in Cell Block B of Korydallos Prison in Piraeus, near Athens, where they are the only inmates in a block designed to hold 300. Each prisoner has his own room, wears civilian clothing and may designate a companion room to watch TV and play cards. They have been forbidden from communicating political ideas to the outside world.

Still, Papadopoulos lost year ago—seized to organize a right-wing political future known as the Greek National Political Union (GNPU). The party has even won a seat in the European Parliament in Strasbourg, France. But the bitter rivalry ignited by Ioannides's takeover continues to divide the frustrated colonists. Expelled GNPU's European Parliament deputy, Giannos Ioannides, said: "The two men haven't spoken to each other in years."

—JACQUELINE SPURTELL in Athens

## WHEN IT COMES TO A STORE, YOU DO JUDGE A BOOK BY ITS COVER.



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# A quest for freedom

It was supposed to be a carefree vacation for a young Canadian student, but it became a nightmare of violence ending in imprisonment. On June 20, 1982, James Curtis, then 18, boarded a plane in Yarmouth, N.S., bound for New Jersey to visit Best Friends, also 18, a classmate at the Windsor, N.S.,

private school from which both boys had just graduated. Six days later both were on the run, looking for a place to hide the bloody bodies of Franz's mother and stepfather. Within five days of their departure police had arrested the youths, and in April, 1983, a New Jersey Superior Court sentenced

Curtis and Franz to 20 years in prison for the shootings. Their names, Curtis has been the subject of a growing campaign to have him freed from prison by his parents and thousands of supporters who say that the youth was a victim of injustice. The weekend rapids across Canada and the provinces in Nova Scotia of a stage play based on Curtis's trial will mark renewed interest in the case.

The evidence is clouded by conflicting testimony. What is clear is that Rosemary Podgus and her husband, Alfred, a gas collector, died in their ramshackle home at Loch Arbut, N.J., on July 5, 1982. The youths later claimed that they had been so frightened by Alfred's threats of violence that they had spent the previous night sleeping in downstairs sofa, two of Podgus's rifles lying loaded between them. On the morning of the killings, Franz testified, he took one rifle with him when he went upstairs to shower. Minutes later four shots rang out and Alfred Podgus lay dead. Franz claimed that he shot Podgus in self-defense after the older man fired several shots at him. Downstairs, Curtis jumped from the sofa and, armed with the other rifle, ran toward the back door. As he later told police, he met Rosemary Podgus coming out of the kitchen. Startled, Curtis drew back, gripping the rifle, which fired one fatal bullet into Rosemary's abdomen.

Curtis and Franz then fled to Texas dumping the bodies along the way in a state park. They were arrested near Dallas. It was Franz's testimony during Curtis's eventual trial on a charge of murder that convinced the Canadian boy's parents, former air force captain James Curtis and his wife, Alice, that their son had been illegally convicted. Franz, who pleaded guilty to murdering his stepfather and agreed to testify against Curtis in exchange for a reduced sentence, changed important details of the statement he had earlier given to police. In the end Franz received the minimum term for first degree murder. Curtis's maximum for manslaughter.

Since then Curtis's parents have spent \$100,000 in two failed appeals. While they wait for a habeas corpus application for his release, they devote their time to encouraging public support. A Halifax film company is negotiating on a movie about the case. This week, along with the rights, a play by local dramatist Jack Shaffoff based on Curtis's trial will open in an amateur production at Wolfville, N.S. Said Alice Curtis, "Bruce would be all this publicity. But he realizes this is the only way we've got to get anywhere."

—TIMOTHY WOOD in Halifax



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NEWCASTLE: Authors Editor Supervisor John Canada Marketing Communications Dept. and Stuart

## Some things go hand in hand.

"Some times I wonder I mean, we both work. I've got my photography and fundraising activities. Stu? He keeps pretty busy. He'll travel for business, and bring work home. He plays racquetball...."

Just the same, we try to do as much as possible together. We share the same interests. Skiing, tennis, golf. We even share the same friends. Most of them are from our university days. That's where we first met... university.

And now here we are, married.

Funny, even though we are so much alike, I can't help but get the feeling that we're changing. For the better. You know, making room for each other. Building a future together.

My job at Aetna is like that. It's a good place to work. Even though everybody is

different, we are all moving in the same direction.

At Aetna, we're just everyday people doing everyday things. Getting on with our lives.

Coping with changes. Until recently, I didn't realize just how much of ourselves is reflected in our work. Now that I'm married, I'm looking at our own insurance policies in a new light. In the marketing department I've been packaging and promoting a full range of products but I never really appreciated their true value until I looked at them as a customer.

Now there's Stu to consider. Our home.

And down the road, kids, of course. It's a whole new set of circumstances. But instead of being overwhelmed I'm looking forward to starting a family and all the responsibilities that come with it.



More than just an insurance company

### COLUMN

## Hollywood defends the faith

By Fred Branning

Athletes recently plucked a live hand grenade from a trash can at Boston Garden—planted, it turns out, in the name of social commentary. For scheduled to appear the Boston Bruins was an evening more despised than opponents from Philadelphia, New York or the far northern province of Gritsky. On this occasion the Bostonians were slated to engage a gang known as the Moscow Dynamite—players from the frozen heart of Phoenicia, friends, reds or not.

Although a mysterious caller phoned The Associated Press and said, "Dynamite must die," the game proceeded. As Soviet players entered the rink, bee-hives caused in the rafters and some stalwart individual buried scarlet dyna into the ice. Thereafter, the spirit of détente mere or less prevailed and although the Soviets lost the home game 6-4, there were handshakes at the end of the match.

Athletes may be able to transcend political differences more easily than the rest of us. After all, when one has been pummeled into the boards for 40 minutes by a fellow in two tons of padding and helmetry, issues regarding troop deployment and the distribution of wealth cease to be of immediate concern. One may even grow fond of his attacker—his timidity, his pluck—and by game's end, decide that rapprochement is in order. It's either that or drag the ice into an alley.

At the moment, it might be wise for Americans to schedule some sort of vigorous but nondisruptive physical exchange with their Russian counterparts—all the better to release emotional steam. Yet, the President spoke on television to the Soviet people over the holidays and we permitted Mr. Gorbachev to say a few words in return. On another occasion, U.S. and Soviet citizens exchanged ideas on a special edition of the Phil Donahue show. These were momentary lapses, be assured, and not signs that our anticomunism resolve is waning.

On the contrary, we grow bolder. Mr. Reagan may be cozy enough with Gorbachev to propose an evening of Trivial Pursuit at the White House, but that won't keep us that he described Russia as an "evil empire"; a signal reinforced by no one. It was an irrefutable comic strip phrase and we embraced the image eagerly. As yet, a half-life landscape, a frozen-outcast castle, a

view of not-faced automatons plotting world domination beneath a portrait of Lenin.

With the commander-in-chief providing inspiration, the gang in megamarketing began working overtime. So now we find ourselves agitated in television ads and movies that portray Soviets as many of us are pleased to see them—awkward, ignorant, depressed and sometimes dangerous. One advertisement, for the Woody's hamburger chain, adopts a fashion show motif. The model is a Soviet woman whose shape approximation is that of a horse trailer and whose dress seems cut from hoodlums. Her outfit is the same for morning or evening. The theme of the ad has to do with freedom of choice.

Should one want to wash down one's burger with a cool, ideologically acceptable soft drink, 30 Cola might be just the ticket. 30 is naming an ad

*By portraying the Soviets as snakes and shlimps on TV, do we gain some inscrutable sort of comfort?*

that suggests small groups of dimwits are drinking its product in defiance of Moscow. The viewer is transported to a rustic cabin where peasants dance before a fireplace and toast each other with cornucopian oil. Abruptly, the door swings open revealing two glowering Soviet agents. So long, Soviet peasants! So long, 30.

Audiences in the Midwest have been watching a spot that portrays the crew of a Soviet submarine shopping in a local appliance store. The captain leads up an electronic gear and returns to the ship only to discover a crew member missing. "Where is Potemkin?" he demands over a sort of vodka. But alas, Potemkin is still ashore, an revolutionary and undone by the sight of so many apish equalizers and microwave ovens.

The TV ads are benign compared to what has been showing up at movie theaters—films described recently as "war-movie-by" by Soviet poet Yevgeny Yevtushenko. Sylvester Stallone has delivered not only Rambo, super-patriot extraordinaire, but Rocky IV, who vanquishes a diabolical Soviet

better to convincingly that Rambo fight. Then begin chanting, "Rocky, Rocky, Rocky." There is *Red Dawn*, a flick in which Soviet troops conquer Colorado, and *White Nights*, starring Michael Bayraktarov and Gregory Hines as dancers trying to soft-soap past the army.

Still in the works is a television mini-series, *America*, that promises a view of the United States 10 years after the Reds take power—as ABC brainstorms that has won Kremlin officials in the event that they report early on the network's arrival the network's news operation in Moscow if the series goes forward. At last word, ABC had put a hold on production.

Word it may be far the Kremlin to object as vigorously, but how strange do we look for converting this ostensible intellectual bean-curd in the first place? Have our own grim fantasies finally taken control of our good sense? By portraying the Soviets as snakes and shlimps do we gain some inscrutable sort of comfort? Thus says Jerry Bruckheimer, a Soviet expert at the Brookings Institution in Washington. "There's an awful lot of self-satisfied smugness around. We want to believe that all the old comfortable stereotypes are still going to apply. And it's wicked thinking."

What seems so mystifying the Soviets most is that their people—not just their leaders—are being depicted in such unfavorable terms. They say the phenomenon simply has no equivalent in the Soviet Union. Critics of the U.S. government may be harsh and unrelenting but, and Alexander Solzhenitsyn, a Washington-based reporter for the *Wall Street Journal*. "Not a single commercial film or book in the Soviet Union presents Americans so badly as they are."

Shame is indulging in a bit of sapidity, of course. You can't go around saying Ronald Reagan is an imperialist bully without implicating the sadist that so appropiates him. Still, the Soviets seem rightly pained as to why we have been selling cheeseburgers at their expense and embracing the steel-chested Sly Stallone. How come these people are, really. They have yet to comprehend that our advertising executive and Hollywood types merely are debunking the faith—as holds barred.

Fred Branning is a writer with Newsday in New York.



CANADA

## 'Hold on to your hats'

Industry Minister Sinclair Stevens was unapologetic. His controversial role in the closure of a Montreal oil refinery last month had led to the resignation of one cabinet minister, Stéphane Massé-Grenier, and evoked the first major expression of dissent within the Conservative parliamentary caucus. With derisive references to "the minister for Osements," some Quebec Tories had accused Stevens of sacrificing the economic interests of his province. But as parliamentarians returned to Ottawa last week from their annual Christmas break, Stevens—still recovering from heart bypass surgery—maintained his composure. The criticism, said the MP for York-Beauport with a broad

grin, "didn't phase me too much." But Mulroney has learned that in the days before Parliament resumed, Prime Minister Brian Mulroney seriously considered moving Stevens into another portfolio. Part of the reason was Stevens's failure to consult with Quebec ministers on key government decisions. Among them the proposed Hydro-Québec atomik plant in Québec, the sale of Toronto-based, Crown-owned de Havilland aircraft, and the closing of the Gulf Canada refinery in Montreal with the loss of 650 jobs (page 12). Instead, deferring a cabinet shuffle, Mulroney returned from the holiday recess determined to rally his 200-member caucus and the party's support for Stevens.

The Conservative strategy seemed based on the notion that the best defence is a good offence. In a speech at political night, Mulroney delivered what some Conservatives described as a "pop talk" at the weekly Tory caucus meeting on Parliament Hill, apparently to good effect. Disgruntled Tories who had complained vociferously about the refinery closing—and sale to Kentucky-owned Ultramar Canada Ltd.—loudly endorsed the prime minister's handling of the affair. Carole Jacques, the first Montreal Tory MP to criticize the Gulf deal, emerged from the caucus meeting to deliver a last-ditching speech in the Commons defending the government. The Prime Minister himself was in high spirits, declaring: "The caucus is united, delighted, ready to go. And so am I. Just hang on to your hats."

Mulroney also seemed intent on restoring his own personal reputation. In recent months he had carefully distanced himself from government controversies, lifting other senior ministers required to oppose attacks in Québec. Period and avoiding the press. Last week, returning to the parliamentary arena, the Prime Minister aimed to restore shape. He tackled Liberal and New Democrat questions with arm-waving oratory and finger-pointing ripostes. Responding to criticism on the Ultramar issue, Mulroney accused the Liberals of blatant hypocrisy, saying that three other Québec oil refineries had been shut during the Liberal years in power. Outside the House, Mulroney stopped frequently to chat with reporters and tourists, exchanging views on the issues of the day. The Prime Minister's "good Friday" mood, said Tory MP Geoffrey Scott, "is certainly what the people want."

Still, that show of energy obscured deep concern in Tory ranks about the political damage incurred recently. Criticism from his own ranks that the federal cabinet trampled strong Québec voices had almost convinced Mulroney to shuffle his cabinet during the Christmas break—and give Québec ministers a higher profile. Telephone calls had even been placed from the Prime Minister's office, advising ministers to stand by for changes. In fact, Stevens, Treasury Board President Robert de Cotret and a few others were to have been reassigned. Ministers Robert Layton (Income), Jack Martin (Immigration) and Walter Molloy (Conservation) were to be dropped. And Québec MP Marcel Bédard was among a handful of backbenchers slated for promotion. But the idea of a major shuffle was postponed because Mulroney did not want to be perceived as making changes in a mood of political panic. At week's end Mulroney also made a point of good economic news for Québec: the reopening with federal,



Stevens (left) and Mulroney trading insults in the House. Spiced exchanges

provincial and private funding, at the 600-Henry paper mill in Port Cartier, in his own riding of Montserrat.

Inside the Commons, opposition MPs were on the attack. Their clear objective to sustain the negative publicity generated for the government by the refinery closing and other issues. Both Liberals and New Democrats, buoyed by favorable public opinion polls, contended that they are the threshold of capturing disillusioned Québec voters from the Conservatives once in power—a point stressed at every opportunity by Mulroney—but the public perception—as reflected in the polls—appears to be that the government has achieved little. William Toppert, a Freshwater Tory MP, said that there is a common theme in the comments he hears from his constituents in New Brunswick, a suburban Ottawa riding: "They say, 'Bill I wish the government would pull up its socks and get on with things.'"

Officials close to the Prime Minister concede privately that Mulroney has an image problem. In separate interviews with Mulroney's

constituents from the Northern Ontario community of Selkirk, and Nystrom, representing the eastern Saskatchewan riding of Yorkton-Melville, said that the Prime Minister's credibility problems have led many of their constituents to refer to Mulroney as "hym Brian."

On the government side of the House, Tory MPs said they were bewildered by the criticism. The nation's economy has improved markedly since the Conservatives came to power—a point stressed at every opportunity by Mulroney—but the public perception—as reflected in the polls—appears to be that the government has achieved little. William Toppert, a Freshwater Tory MP, said that there is a common theme in the comments he hears from his constituents in New Brunswick, a suburban Ottawa riding: "They say, 'Bill I wish the government would pull up its socks and get on with things.'"

Officials close to the Prime Minister concede privately that Mulroney has an image problem. In separate interviews with Mulroney's

Stevens' shuffle



advisers are considering arrangements to visit rural communities across the country. Their reasoning: the Prime Minister performs better in small-town hockey rinks and liquor halls than at large-city, black-tie dinners, and he generates more favorable media reviews outside the capital.

Beyond Québec, there was renewed criticism last week of the government's handling of the de Havilland issue. A parliamentary committee set up to examine the sale of the firm to the U.S. aerospace giant Boeing had scheduled a long slide of witnesses that the Conservative majority on the panel voted to overturn the list of witnesses, prompting Liberals and New Democrats alike to denounce the government's high-handed tactics.

For the Prime Minister's major problem last week was slowing the economy. Falling unemployment rates—down to 16 per cent last month, the lowest since the spring of 1982—and inflation under control at an annual rate of four per cent were increasingly difficult to keep in public focus as interest rates climbed and the dollar declined on foreign exchange. And the overall improvement in the economy apparently has not allayed business concerns about the nation's \$35-billion federal budget deficit.

While Finance Minister Michael Wilson, a former Bay Street investment executive, is still regarded highly in business circles, Mulroney's reputation has suffered. Asked to rate the current cabinet, Geoffrey Hale, director of government relations for the Canadian Organisation of Small Businesses, said Mulroney was "not a star." Energy Minister Patricia Carney and Transport Minister Don Mazankowski. But Hale said others had problems with the "the wing factor, the kids factor, the credibility problem." He refused to comment on Mulroney's performance but he added: "You can read into that what you want."

The chief beneficiary of the Tory attackline has been Opposition Leader John Turner. Since the Liberals' massive electoral defeat in 1984, Turner has travelled the country across the country, largely meeting friends within the party. Still, as the party gathered for a weekend caucus in Ottawa, the Liberals remained divided over many basic issues, including free trade. They also recognized that their current winning strategy—winning with Tory losses—than Liberal victories, and could quickly turn against them. But with both major parties on the attack, the current parliamentary session seemed certain to produce some epic confrontations.

—PAUL GOSWELL with RELAY BACKGROUNDS in Ottawa



# Looking for work and business

With its pipes packed of steam, Ultramar Canada Inc.'s multi-unit Montreal oil refinery closed last week to a complete shutdown. But for Prime Minister Brian Mulroney, the political tempest stirred by the refinery closing was undisturbed. On Parliament Hill, opposition was relatively circumscribed. The government's decision late last year to allow British-owned Ultramar to buy the refinery from Gulf Canada—and then carry out its pledge to shut it down. Attempting to salvage political support—and jobs—in Quebec, Mulroney told the Commons on Wednesday that his government was seeking a buyer for at least part of the refinery. The prime candidate: a consortium apparently led by Lavalin Inc., a giant Montreal engineering firm. But despite the Prime Minister's efforts, the mood at the refinery remained pessimistic. Said Robert Paret, 53, the refinery's manager: "We cannot live on hope."

In fact, neither the political crisis nor the economic situation that led to it seemed likely to be easily solved. Already, more than 160 of the refinery's 430 employees have been laid off by the closure. The rest are expected to disappear by month's end. Most of the workers live in Montreal's economically depressed east end, which has suffered two other major plant closings in the past four months and faces the possibility of more layoffs in the months ahead. And while the Prime Minister last week rejected the most vocal criticism within his Quebec caucus, some Tory MPs were still concerned about what they perceive as Quebec's lack of industrial resources. Declared Stéphane Blais-Grenier, the former minister of state for transport who resigned from cabinet last month over the Ultramar affair: "The government's decision may have been good for Canada, but it was terrible for Montreal."

In fact, Macdon's has learned that the consumer and corporate affairs department has asked the Restrictive Trade Practices Commission to investigate the events surrounding the \$150-million purchase of Gulf Transmar Canadian assets by Ultramar, which also operates another refinery in Quebec. The commission will also examine whether the firm's conditions for selling the refinery violate Canadian competition law by limiting or terms that would prevent any buyer from selling the refined oil in Quebec.

Arthur Dickson, Ultramar's vice-president of corporate relations, denied that the company was in a position to



Means: no easy solution to the economic situation

negotiate a sale. But Quebec's energy minister, John Chénier, said that he "wishes to find a non-Canadian market for the oil helped settle last week's attempt by Gas Métropolitain to purchase the refinery after Gas Métropolitain—a company controlled by the

Blais-Grenier salvages



company with them in Quebec."

Still, the consortium's bid—publicly revealed only after Gas Métropolitain withdrew its offer—may include an attempt to obtain the refinery by operating it only for export production. Bernard Lussier, Lavalin's president and a longtime acquaintance of Mulroney's, criticized the company's offer. Lussier's reports also said that Commissioner Minister Marcel Massé, a former Lavalin vice-president, was closely involved in the negotiations. Meanwhile, a second major Montreal engineering firm, The sac Group, announced that it is weighing a bid on behalf of unnamed industrialists for the purchase of part of Ultramar's assets—two petrochemical plants on the refinery site. A decision by ENC was expected this week.

But while there seemed to be several potential buyers, Ultramar appeared reluctant to sell. Said Ultramar's Dickson: "It is going to be very difficult for any deal to go through." The company's insistence it needs to use the plant's existing tank space to store oil. Ultramar also plans to use parts of the Montreal plant to upgrade its refinery in St-Basile, near Quebec City.

Indeed, a senior Montreal executive close to both the oil industry and the Ultramar transaction told Macdon's that it is unlikely that the refinery itself will ever reopen. "The whole deal is designed to let the oil companies operate at high capacity and gain sufficient market share to make money," he said. Engineering companies might be hired to undertake feasibility

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studied, he added, but they were "unwilling to buy a refinery that would wreck their relationship with the very oil companies for whom they build plants."

Within the Conservative caucus, Mulroney moved swiftly last week to restore unity. Although Robert Weir, minister for Westhouse, north of Montreal, maintained that he was still considering leaving the party to prevent the government's actions, other dissonant Quebecers rejoined the ranks. Said Vincent Delia Nace, the Duvernay MP who had signed a petition protesting the sale "We fell into a Liberal trap. There have been four years of agony in Montreal East and the Liberals are to blame, not us."

But Delia Nace, a former president of an oil consortium firm in Quebec, said he was "disturbed" about the behavior of the major oil companies in the Gulf sale and the subsequent refinery closure. He added that he wanted Ottawa to release a report prepared for consumer and corporate affairs by consumer investigator Michael O'Farrell.

Some opponents of the refinery closure say the O'Farrell report concludes that the scheme will leave Quebec short of refining capacity and more dependent on western imported refined products. In the Commons last week Energy Minister Pat Carney said the province in fact had an oil surplus that would not be affected by the refinery closing. But Hans-Greiner told Mulroney: "There exists a philosophy within the government that there should be only one centre for petroleum production in Canada—Ottawa and Alberta." And the *Oil & Gas Journal*, a New Jersey-based weekly journal which is highly regarded in the industry, reported in its Jan. 13 issue that the closing of the Ultramar refinery would leave the province with a daily deficit of 26,800 barrels of refined oil. Said the journal: "It appears that Quebec refineries will have to import refined oil at a high rate throughout 1986 to satisfy demand."

Still, the Ultramar controversy appears to have convinced most Quebecers that Ottawa will have to intervene directly to improve the economy of Montreal's east end. Energy Minister Carney, for one, said that the Quebec government was acting as the Ultramar case to "save what is left of our petrochemical industry and to build on it." But, said Robert Parent, who is now charged with shutting down the refinery where he worked for seven years, "you cannot keep people around here doing nothing while the politicians talk. I have to start deciding what to do with the rest of my life."

—EDDIE WALLACE in Montreal

## Japan's poetic emissary

It was a bone-chilling -10°C when Yasuhiro Nakasone arrived in Toronto with his wife, Tsutako, for the start of his first state visit to Canada. But as the Japanese prime minister told a Vancouver audience three days later, despite the frigid temperatures, "Canada, because of the long-standing friendship, I was visiting the whole time." That tone of good-bored diplomacy was on display during Nakasone's many public engagements last week. At one point, the 68-

year-old leader cited Barrow, B.C., native John Tetra's persona in some wrestling. Japan's poet, said, "I take this as an example of your aggressively exploiting our traditional markets."

But in discussions with Prime Minister Brian Mulroney and other officials, Nakasone dealt frankly with an issue central to Japan's interests, Canada's impending free trade negotiations with the United States.



Mulroney with Nakasone in Vancouver, warning of the "pitfalls of protectionism"

Inded, although disarmament and Third World development were high on last week's agenda, Nakasone sought assurances that any future trade agreements with Washington would not result in a "Tariffless North America." Japan is Canada's second-largest trading partner after the United States, and Tokyo officials fear that a free trade accord would inevitably cause bilateral trade to suffer in public, however, Nakasone played down the issue. In a speech to a rare joint session of the House of Commons and the Senate he referred to "the pitfalls

of protectionism" but did not allude directly to the free trade question. In fact, Mulroney asserted his point that any trade agreement with Washington would respect the General Agreement on Tariffs and Trade.

Speaking in Parliament in English and French, Nakasone outlined recent Japanese measures to lower barriers to foreign exports, a response to complaints by its trading partners about huge trade imbalances in Japan's favour. Then, near the end of his half-

hour speech Nakasone became more lyrical, emphasizing the convergence of Eastern and western cultures. At that point, he declared, "all living creatures on earth will enjoy the supreme bliss of their existence."

That mellow mood soon prevailed during Nakasone's visit to Vancouver, where he met British Columbia Premier Bill Bennett and other leaders. In a simple ceremony, the Japanese leader inaugurated the Pacific Bell tower at the University of British Columbia. Then, after giving the university six barrels of sake, Nakasone was given a volume of his own books, the Japanese were born, assimilated into French and English. Later, Nakasone had an opportunity to recite a recent composition. Emphasizing the long history of trans-Pacific friendship, Nakasone read "The bell tolls far and wide/ Across the Pacific Ocean/Ringing the far message of spring."

—CINDY BARRETT with MICHAEL NORMAN in Ottawa and JANE O'HARA in Vancouver



Greenspace members stage toxic blob in Starnia: lawsuit for a toxic blob

## Trying to find polluters

Wearing black slacks, challenge face paint and gas masks, the members carried a coffin up the steps of the courthouse. The *Rebate and Payout in 20* winter by J.B. Back played as a portable tape machine. Then, unfurling a banner that read "No More Blubs" they walked solemnly back down and deposited the coffin in a rented black van and drove away. That made funeral last week, staged by the environmental Greenspace organization in Starnia, Ont., memorialized the so-called blob, a tarry 1,565-square-foot deposit, discovered in the St. Clair River between Sarnia and Port Huron, Mich., last September. It was caused when 1,500 gallons of the cancer-causing oil-refining solvent polynuclear aromatic hydrocarbons spilled from a nearby Dow Chemical Canada Inc. plant in August and mixed with sediments on the river bottom. A \$2-million cleanup was completed on Dec. 28.

During last week's Greenspace protest, Dow lawyers acknowledged in court that a plant accident had caused the spill and they pleaded guilty to four charges under the Ontario Water Resources Act of polluting the river. Starnia Dow lawyer Lytle Curran "This is an event that happened through human error, and the company apologizes," but in a 15-page personal agreement with Dow designed to shorten the proceedings, the Ontario environment ministry

dropped two less severe charges: allowing spills that caused material damage and harm to persons.

The plea-bargaining arrangement, which resulted Dow employees to avoid testifying in court, angered many area residents, who say that spills and leakages of toxic chemicals may appear their drinking water. Said Donald Lagasse, who has headed the Ontario's Great Water Coalition in nearby Windsor: "We are definitely disappointed the ministry plea-bargained away the two charges." Added Greenspace spokesman Joyce McLean:

"The government should have taken a stronger stand."

Dow's guilty plea was only the second by an Ontario firm in more than 12 years—despite 175 reported spills between 1975 and 1984. Still, it was a symbolic victory for Ontario Environment Minister James Bradley. Since Premier David Peterson's Liberal government came to power last June, Bradley has led an antipollution crackdown on the 12 plants that make up the region's chemical sub-

sidy. While the provincial government turned off the Dow spill in September, Bradley swiftly launched a series of suits to enforce St. Clair River water. The tests are still under way. He also created a new 50-member enforcement branch in the ministry, hiring former senior officers, and he doubled the ministry's staff in Starnia. The office has been investigating the records of these chemical companies—Dow, Canfield Berens Ltd., a Petro-Canada waste-processing company, and Polysar Ltd., a federally owned petrochemical company that makes synthetic rubber—in investigations not related to the blob.

Bradley's tough stance has angered some industrialists in the chemical valley. "Confession does not work," and Ronald Denning, general manager of the Lambton Industrial Society, an industry-funded environmental group. "Change depends on the industry people, laws on their sides don't seem to be anything." But many residents of St. Clair River communities downstream from Sarnia want more government action. In Wallaceburg (population 12,000), Lagasse's coalition has asked the province to extend a pipeline from Lake Huron to their community, bypassing the river. Said Denise Douglas Sherr: "We just don't want to be in the shadow of the Sarnia industrial plants. We don't trust these any more."

Because the pipeline cost-cut Ontario is \$5 million, and her local community is looking for a short-term method of improving the town's filtration system. To ease fears about long-term health problems, county medical officer Wayne Bennett has asked the provincial board of health to approve a proposed water treatment plant's efforts on pregnant women. "If they can spend on any new water supply, they can spend money on human life."

In the near future, the provincial court in Starnia may have to decide Dow's penalty.

In total, the four charges would normally carry a \$50,000 maximum fine. But the firm could be as high as \$100,000 if the court decides that the blob spill was not Dow's ordinary commercial product but waste from the manufacturing process. And when Provincial Court Judge A. L. Roby ruled on Feb. 11, his decision may indicate whether the government's crackdown on polluters is as tough in practice as it looks on paper.

—BOBBY AKENHEAD  
in Starnia



Bradley: cracking down

## Stampeders on the block

The telephone in Ralph Klein's office began ringing last Monday at 8:55 a.m. In the next 36 hours the Calgary mayor logged more than 700 phone calls—all from angry or concerned citizens. The issue that led to the phone-in: a request by private investors for \$5 million in loans from the city to help save the financially troubled Calgary Stampede football team. The response from free intervention-minded Albertans was predictable—and overwhelmingly—opposed to the request. Said Klein's executive assistant, Rodolphe Lavoie, quoting some blunt callers: "You tell Ralph that if he spends one nickel—and I'll leave it to your imagination what kind of controversies they would put the mayor through." Across the province the message to newspapers, radio shows and even Premier Donald Getty's office was the same: keep government out of football.

The protest began after a group of nine businessmen, led by Calgary millionaire Douglas Hunter, offered to buy the troubled community-owned franchise and invest \$2 million to rescue the Canadian Football League team from bankruptcy. But insisting on the

need for government assistance, Hunter asked city council to lend \$2 million immediately and arrange a \$4 million line of credit. Initially supportive, city politicians reacted swiftly to the indignation, postponing a vote on the request until this week.

For his part, Getty, a former quarterback for the Edmonton Eskimos, pledged a \$1-million personal loan guarantee—but only if the Calgary council agreed to participate. Declared the Conservative premier, who has repeatedly advised people with problems not to turn arguments to government: "It would be very sad if Calgary lost the Stampede."

With \$1.6 million in debts, the Stampede last week did not have enough funds in current accounts to meet the mid-week payroll. The main reason: declining attendance, a problem shared by several C.F.L. teams. Of the nine C.F.L. clubs, only

two franchises—Vancouver and Winnipeg—made money last year. The rest lost a total of about \$7 million. The Stampede compiled an unimpressive 3-3-1 win-loss record last season, drawing an average of only 14,100 fans at home, compared to 31,900 in 1980. Without government aid, Hunter predicted, Calgary would lose the 40-year-old franchise. "We are not doing this to make a buck," he said. "We just don't want to lose money."

Faced with mounting opposition on city council to a rescue, Calgary Ald. Tim Burdsey last week launched an eight-week campaign to raise \$4 million in contributions from the public. The Stampede, Burdsey explained, are "like a dog you kick around. Even if it's not there you'll miss it." To kick off the fund-raising blitz, called Stamp-Aid, Burdsey and Mayor Klein each contributed \$1,000. But after two days more than 100,000 Calgary residents had contributed less than \$100,000.

—ANDREW STRICKLAND in Edmonton



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## A town's lament for tuna

For more than a century St. Andrews, N.B., has been best known as a scenic seaside resort. Generation after wealthy Canadian—born 19th-century railroad baron William Van Horne to the current Liberal party leader John Turner—made a their summer home, enjoying its rustic settings and its rocky beaches. But the town's greatest image has been tarnished recently by controversy involving the area's largest employer—a tuna packing plant owned by Star-Kist Canada Inc. "The stink made it sound like the plant was right in the

says former plant worker 25-year-old Clayton Wells of St. Andrews, who joined the breth in which the tuna was packed. "The employment situation is pretty bad—there's not much alternative." Almost all of Wells's income, from unemployment cheques (\$120 per week) and his wife, Nancy's, \$144 weekly wages as a sales clerk in Cuckoo's Corner Drugstore, are "taken up with bills, mostly. I've got a lot of books to read."

Last week more than 300 inspectors began testing about 30 million tons of Star-Kist tins of whitehead steels

artery. "In and out, cigarettes, gas, milk, bread, the daily paper. I used to have two full-time and eight part-time people working. When the shutdowns there's just me and my daughter." Between them, she adds, they are logging a 140-hour week. Her recent sales down 20 per cent to 40 per cent from last fall's figures.

Like most residents, Garnett is puzzled by the plant's difficulties. "I don't understand. Twenty of people have come in and no one's ever got sick." Mayor Lawrence says that when the first recall was announced, he immediately bought two cases of the rejected tuna before it was removed from the shelves. "We're just shaking up the second case here," he said. "As far as we're concerned, there was never anything wrong with it." Instead, Lawrence and other St. Andrews residents claim that personality conflicts between Fisheries department inspectors and plant managers caused Star-Kist's troubles. "Somebody's judgment was questioned and from then on it's a whole lot of putting up your back," the mayor said. Lawrence and other New Brunswick politicians are calling for a scientific taste testing system to replace subjective assessments—known locally as "look and sniff."

Still, Lawrence says he remains optimistic. He added that he is particularly pleased by Ottawa's appointment last week of Alton Harrison, head of the University of Guelph's food science department, to review inspection procedures. "That should be a bit of a watershed," said Lawrence. "Right now, there are no fish swimming in the sewer here that would pass the inspection."

Meanwhile, the St. Andrews community is facing a second potential challenge: decertification of the Star-Kist employees union. The attempt to decertify Local 1286P of the United Fish and Commercial Workers was launched by a group of disgruntled employees after two wildcat strikes last summer. But while the town awaits the decertification result, the hard edge of labor tensions has been blunted by grim economic reality. Conceding union general Jerry Glick, who was fired by Star-Kist following the strikes. "Things do not look too good down here."

—KATHY HARRIS in St. Andrews



Lawrence in St. Andrews: "Right now, as this in the green area would pass the inspection."

middle of town, like it's a company town," complains St. Andrews Mayor Roy Lawrence. In fact, Star-Kist, Canada's only tuna processing facility, is located in the rural hamlet of Riverview, 33 km down the coast from the palatial estates and elegant hotels that normally impress some 100,000 tourists.

But it is more than the town's blue-blood profile that has suffered. Although tourists saw an actual influx of \$15 million, Star-Kist, with its 600 employees and annual payroll of \$8 million, has been the year-round economic mainstay of St. Andrews and much of surrounding Charlotte County. As a result, the plant's Oct. 16 shutdown—after its tuna was declared unfit for human consumption by federal inspectors—has had a major adverse impact on the community. "There's nothing but looking out the windows and watching life pass by,"

the country. The new inspection followed Ottawa's outright rejection or recall of roughly 1.3 million cases since the recall since after began last September. Many area residents say they now fear that Star-Kist's American parent, H.J. Heinz Co., may decide the plant should never reopen. Says Peter Fry, 45-year-old president of the St. Andrews Chamber of Commerce: "There can import canned tuna from the Third World cheaper than it can make it here." Star-Kist managers say that the plant will remain closed until its taste-testing problems have been resolved.

Meanwhile, area merchants are suffering from the effects of the shutdown. "A lot of my business was from people going to and from work," says Susan Garnett, 38, bookkeeper of the Irving Community Convenience store, located on Highway 1, the area's main

## An unexplained alert

At Ottawa International Airport, security guards frisked passengers, searched carry-on luggage, searched baggage lockers with electronic "sniffers" and patrolled the halls looking for unattended baggage and suspicious packages. Other officers guarded the entrances to all restricted areas. At Lester B. Pearson International Airport in Toronto, airport authorities asked some passengers exiting connecting flights to identify their luggage in the terminal before it was placed aboard the plane. At St. John's, Miramichi and other airports similar security measures were in place last week. The reason an alert issued by federal authorities after what Deputy Prime Minister Kirk Nelson described only as "the threat that has been received which we are treating quite seriously."

Nelson, the star and government officials declined to discuss details of the threat. In a statement to the Commons on Thursday, Nelson would only say that there was "a security threat against an aircraft at the Ottawa International Airport and the travelling public."

Newspapers published reports that there was a plan to blow up a U.S.



Ottawa airport guard public safety

bound commercial jet. The media reports said the alert was triggered by a tip to police in early December that a supporter of Libyan leader Muammar Khaddafi threatened to hide explosives aboard a jet bound from Ottawa to Washington on the Jan. 18-19 weekend. Nelson would not confirm or deny the reports, but he said some of them were "quite inaccurate." And a well-placed source told Maclean's Weekly, "There is no Libyan connection."

Indeed, on Friday Nelson said that even the report of a bomb threat at Ottawa airport was "so far unsubstantiated." Added the minister, checking his words carefully as he responded to questions from reporters outside the Commons. "It was not said for the travelling public to be, we would close down the airports," he said. "Every measure is being taken that is possible to ensure to the maximum extent the safety of the travelling public."

Most travellers, who accounted for only 15 to 20 minutes in departures, took the extra security measures in stride. Still, some airport workers, concerned about their safety, threatened to refuse to report for work on the weekend. "There is a lot of tension here," said James Hudson, an airport media-consultant at Ottawa airport. "People are walking around wondering what is going on. They don't tell us anything." □

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Khadafi and (below) U.S. aircraft carrier *Coral Sea* in Mediterranean: more challenges in the air and on the airwaves

## A spreading air of violence

**H**igh in the cloudy sky off Libya's Mediterranean coast, two Soviet-built MIG-25s fought intramural wars close to within 200 feet of an American F-4D electronic spy plane on a scouting mission from a U.S. base in Spain. From the U.S. aircraft carrier *Coral Sea*, patrolling the area, two F-15 Hornets swooped and shrieked toward the scene of the encounter. But the MIGs suddenly turned away and headed home to their Libyan base. According to Pentagon spokesmen in Washington, the episode—roughly 180 miles off the Libyan coast last week—was partly orchestrated by two other spy planes observing it from a distance: a Libyan-based Soviet Tu-16 maritime patrol plane and a carrier-based U.S. Navy Hawkeye early-warning plane.

The Libyan jets—in 1983 American flights shot down two Libyan aircraft over the nearby Gulf of Sidra—gave no sign of seeking conflict. But the inci-

dent underscored a week of escalating tensions and violence across the Middle East. As Washington and Tripoli intensified hostile verbal exchanges over Libya's alleged support of terrorism, the Soviets and the Americans strengthened their forces and sought to improve their position in the region. In pre-Soviet South Yemen, an imper-

attacked the Plothenig forces of President Amr Gonnep, who was exiled from the region and who opposed the Dec. 28 accord because it delegated more power to Lebanese Muslims. The fighting began in Beirut early in the week with clashes between Gonnep's Christian forces and the Christian militia of Elio Hobeika, who signed the accord on behalf of Lebanon's Christian community. On Wednesday the Plothenig forces decisively defeated Hobeika's forces during a battle in which at least 200 people died. Hobeika fled to Paris as Muslim and leftist militiamen began shelling Rifkaya. Gonnep's mountain stronghold of Beirut.

At the same time, fighting erupted along and spread into the South Yemen countryside after an assassination attempt against Marxist President Ali Nasser Mohamed on Monday set off an upsurge led by hard-line Marxists. Western diplomats reported that the resulting fighting against Mohamed's 61-year-old regime resulted from the



erised stretch of desert around the Red Sea port of Aden, fierce battles raged between government factions. And in Lebanon fighting shattered the Syrian-backed peace accord signed three weeks earlier by Christian, Shiite Muslim and Druse in Beirut.

There, both Christians and Muslims

embled's domination with the president's recent overtures to more moderate Arab states and to the West. But they noted that Moscow did not support the rebellion. As fighting continued at week's end, foreign governments began to evacuate the hundreds of foreigners—including about 16 Canadians—still in the country.

But Moscow did support another ally—Libya's Muammar Khadafi. Israeli officials said that the Soviet navy deployed three ships off Israel's coast to track sea and air movements and to warn Libya of any imminent attack. As well, a Pentagon spokesman said that the Soviets had moved a cruiser and a destroyer from the Black Sea into the Mediterranean, increasing their naval presence there to 26 vessels—at least six of them fighting ships. For his part, Khadafi gave no indication that he was intimidated by the 26 U.S. navy vessels—at least 14 of them fighting ships and including the newly arrived aircraft carrier *Bataan*—within striking distance of Libya. Instead, he proclaimed his intention to trap Arab guerrillas and Khadafi at a rally. "We shall allocate tanks and place at their disposal all the weapons to carry out these [terrorist] missions."

In response, Secretary of State George Shultz said on Jan. 10 that the United States still did not rule out the option of military initiatives against Libya. He also repeated President Ronald Reagan's call for a boycott of Libya, and denied that a refusal by European nations to issue American passports would hurt the government. In a separate U.S. action such as Great Britain and West Germany remained firmly opposed to a Libyan boycott, and in Norway senior government officials repudiated earlier statements that Norway might consider severing ties with Libya. Canada has imposed partial sanctions, including ending government assistance to firms doing business in Libya.

In the midst of tension and bloodshed, 11 foreign citizens were dramatically rescued from the fighting in Aden earlier in the week. The 11—five Russians, Australians and Dominicans from Calgary—said that the crew of a Soviet freighter ran a gauntlet of machine-gun and artillery fire to transport them out of Aden harbor in a larger Soviet freighter, which took them across the Bab al Mandeb Straits to Eilat on Red Australian Tropic Robinson. "The Russian treated us magnificently. They took risks for us." Still, the incident seemed out of place in a region where growing hostility was an overwhelming preoccupation.

—FRITZ KAPLAN in Beirut with correspondents reports

## Declaring independence



Gomez (left) and former head of state Mejia: "power without authority is tyranny"

**P**arts of the inaugural speech by Guatemala's new president were critical to Central America's most populous nation. Leading a return to civilian rule last week after more than 30 years of military-dominated government, President Marco Vinicio Cerros Arévalo pledged that the provision of his five-year term will be restoring Guatemala's battered economy and improving its much-crippled human rights record. But Cerros's foreign policy undertakings were more surprising: a ceremony at Guatemala City's National Theater, Cerros, 48, vowed that he would insist how to U.S. political pressures in order to release foreign aid. U.S. officials took Cerros's statements seriously, and were clearly concerned by the prospect of Nicaragua's leftist President Daniel Ortega at the ceremony. In a response by insurgents and foreign military involvement, Cerros made clear that he would work for a new era of independence in Central America.

Indeed, at a breakfast meeting hosted by Cerros the day after his speech, the leaders of Amigos, R. Salvador, Henderson and Fuenmayor agreed to create a new Central American parliament to deal with regional problems. And they signed a statement pledging "vigorous support" for the Contadora peace process for the region. Only three days earlier in Venezuela the Contadora group—Mexico, Venezuela, Colombia and Panama—called for an end to foreign support of

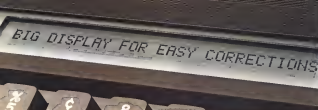
guerrilla forces that could stifle fighting the Nicaraguan government.

Domestic problems are the main obstacles facing the new president. Guatemala has the region's highest unemployment rate and a 50-per-cent annual inflation rate and a 100-per-cent foreign debt. As well, Cerros faces pressure to eliminate human rights abuses which, in successive military campaigns against Indians since 1964, have left an estimated 100,000 civilians dead or missing. Cerros, a Christian Democrat, pledged "broad respect for the human rights of all." But mindful of the military's power, he declined to adapt the Argentine example where, in a similar situation, military officers went on trial. Instead, less than 24 hours before Cerros was sworn in, outgoing head of state Gen. Oscar Humberto Mejia Victores decreed an amnesty exempting the army from prosecution for human rights violations.

Still, with a parliamentary majority and a 40-per-cent share of the vote in last month's election, Cerros has the support to try to break the cycle of economic and social problems. Said the new civilian president: "Authority is not power. They are two different concepts, and we must see the difference between them because power without authority is tyranny."

—ANDY ELMER in Guatemala with correspondents reports





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## Thatcher's albatross

For almost six hours Lord Brittan sat impassively in the British House of Commons while opposition spokesmen rose one by one to demand his resignation. But when it came time to respond to his attackers last week, the beleaguered trade and industry secretary proved that he was still in fighting form. In a 30-minute speech frequently drowned out by opposition cacophony, the former court-room lawyer defended himself against charges that he had isolated the Conservative government's policy of strict neutrality on the issue of the near-bankrupt Westland Helicopter Co., Britain's last remaining helicopter manufacturer. It was an impressive display of damage control. And by the time it was over, even his critics acknowledged that Brittan had managed to salvage—if only for the moment—his once-promising political career.

Still, Brittan's performance did nothing to calm the political storm that has erupted over the Westland affair. Indeed, the British press carried sensational new charges last week that Prime Minister Margaret Thatcher's government had exerted pressure on the British Broadcasting Corp. in an attempt to limit coverage of the saga. And in another twist, Foreign Office spokesmen acknowledged it had tried to stop the Italian government from making statements in support of a European consortium fighting for minority ownership of Westland.

The controversy first took on political overtones last fall when it became obvious that Thatcher's cabinet was badly divided over the question of state involvement in private enterprise. Defying the Iron Lady's conventional policy, Defense Secretary Michael Heseltine said that a laissez-faire approach would almost certainly deliver Westland into the hands of the giant U.S.-based United Technologies Corp., parent company of Sikorsky Aircraft, the world's largest manufacturer of helicopters. Heseltine strongly favored a rival offer from five European defense contractors, including British Aerospace (BAE). Declining that Thatcher's authoritarian style had stifled legitimate dissent, Heseltine resigned from his 800,000-sq-ft post earlier this month.

Last week Heseltine accused Brittan, 46, of telling BAE's chief executive, Sir Raymond Logo, to withdraw from the European consortium. Brittan flatly denied the allegation. But facing opposition charges of a covering, Thatcher the next day released a letter that she had received from BAE chairman Sir

Arthur Pearce. In it, Pearce described a meeting between Brittan and Logo at which the trade secretary had reportedly complained that BAE's involvement in the consortium was "not in the national interest." Then a Gallup poll published last week showed that her government's popularity had slipped to its lowest level since 1989.

At week's end Logo came to Brittan's defense by apologizing for what he called an "unfortunate misunder-

standing" between them. Still, the statements over Westland's fate continued the company's shareholder-raucous—meeting in London's 3,000-seat Royal Albert Hall to announce the takeover—note to accept BAE's \$150-million offer for 38.9 per cent of Westland. But the result fell short of the 75-per-cent majority needed for approval. And it seemed unlikely that Thatcher's political troubles would end as long as the future of the helicopter firm remained in doubt.

—BOB LIVER in London

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# 30,000 DIE WHILE FEDS SIT ON HANDS

It's a national scandal. According to Health and Welfare Canada, more Canadians will die at the hands of tobacco industry products in the next 18 months than were killed in World War II. Despite these tragic figures, and unlike virtually any other industry, the tobacco industry has been allowed to regulate itself thereby evading any serious form of legislative scrutiny of the way it promotes its products.

## AN UNTOUCHABLE INDUSTRY!

Despite the fact that virtually every medical group in Canada has called for a ban on all tobacco advertising, the federal government sits in legislative silence while the tobacco industry promotes its deadly products.

Any industry with a track record like this one would face legislative intervention. But apparently not the industry whose products are responsible for more deaths than any other. It would appear that some folks in Ottawa believe that this industry is untouchable. It has been, until now, in part because of a deft public relations play presented to Parliament and the public.

In 1970, after a major review of the tobacco industry, an all-party committee of the House of Commons recommended the end of all cigarette advertising and promotion. To head off legislation to implement the ban the industry adopted a "voluntary code" to regulate its advertising and promotion. The government bought the pitch and the draft legislation was abandoned.

In the period from 1972 to date, tobacco manufacturers have flagrantly violated the code. During this same interval, this industry's products have killed over 300,000 Canadians. It's hard to

understand why Parliament would choose to have faith in an industry whose wares create the largest cause of preventable death in Canada. "Trust us" says the industry. And so far, M.P.s have allowed the fox to guard the chicken coop.

Since the government seems reluctant to discuss the subject of self-regulation, we've decided to raise the issue. The industry has violated most rules in its code. Our report, A Catalogue of Deception, reviews these violations. Here are just three:

## 1 The "We're not after the kids" Routine.

Although the industry dies if it doesn't enlist new users, the tobacco lobby claims that it doesn't encourage young people to smoke. As "proof," industry spokesmen point to their code which prohibits ads within 200 metres of schools. Yet, our researchers found hundreds of billboards within such prohibited zones. And we completed only a small, random sample. When news of these violations hit the press, the industry rushed to remove the ads.

The industry is on record as saying that the code covers all forms of ads including posters in variety stores near schools. Thousands of such posters are still in the prohibited school zones. When the whistle was

blown on this violation, the industry opted to "reinterpret" its code rather than correct the thousands of violations.

*"The industry we seek to regulate is powerful and resourceful. Each new effort to regulate will bring new ways to evade... This is a battle which can be won."*

Robert F. Kennedy  
Former United States  
Attorney General

## 2 The "prominently displayed" health warning.

In another rule, the industry promises that its health warning will be "prominently displayed" on all billboards and market place advertising. In fact, many of the billboards displayed to date have had no warning at all. The company which displays most of the industry's billboards says in its manual that "unimportant statements" can be printed with letters of "4 inches or less. This guarantees that no one will be able to read them!" (emphasis in original). The health warnings on most billboards use letters of 2" or less. Advertising companies confirm that lettering must be at least 6" high simply to be seen at average viewing distance.

## 3 No Ads on TV.

The industry code says "there will be no cigarette advertising on radio or television, nor will such media be used for the promotion of sponsorships of sports or other popular events whether through the use of brand or corporate name or logo." Yet, in violation of the code, tobacco sponsored sports events regularly appear on TV, creating an association between fitness and a lethal product.

*"Freedom should be seen not as the freedom of the manufacturers to promote a known health hazard, but rather as a freedom and ability of society to implement public health measures."*

World Health Organization

These violations are just a few of those recorded. While the industry continues its public relations play, another estimated 30,000 Canadians presently alive will die from tobacco products before the end of 1986. Imagine the force which would be created from 30,000 deaths from the products of any other industry!

It's time for a change. No more "special status," no more interest free loans or commitments for billion dollar industry bailouts. No longer should Canadians tolerate the absurdity of a \$1.5 million anti-smoking campaign while the industry spends \$100 million or more promoting cigarettes. Campaigning to reduce smoking without legislation to ban tobacco ads and regulate the industry is like building the boat while someone else drills holes in the bottom.

## HOW TO HELP

**1** Write your Member of Parliament. Ask your MP to end the "hands off" approach to the industry. Write the Hon. Jake Epp, Minister of Health, and ask him for a comprehensive, legislative approach to the industry. Ask both to stop the advertising of a product which is the cause of an epidemic. Remind them that tobacco products cause a drain on our economy of \$7 billion annually and that tobacco taxes do not offset this loss. Write House of Commons, Ottawa K1A 0A6.

**2** Join the Non-Smokers' Rights Association. The NSRA is much more than a clean air rights group. The NSRA is a hard-hitting national health organization deeply involved in preventive medical approaches to the entire tobacco issue. Major reports have identified "advocacy," not stop smoking campaigns, as the key to the tobacco issue. And medical advocacy is what we do best. Your membership cheque will bring our informative membership kit.

**3** If you want a charitable receipt for income tax purposes, send a separate donation to the Smoking and Health Action Foundation. This donation will go to our research and public education activities (Registration #0459123-09-13).

*Thanks to Quilley Company for the printing and art.*

## ORGANIZATIONS OPPOSED TO TOBACCO ADS

• Canadian Medical Association • World Health Organization  
• Royal College of Physicians and Surgeons • Consumers'  
• Lung Association • Canadian Cancer Society • Canadian  
Lung Association • Canadian Nurses Association • Physicians  
for a Smoke-Free Canada

## To the NSRA, I want action on the tobacco issue:

- ☐ Here's my membership cheque for \$20 payable to the Non-Smokers' Rights Association. ☐ \$7.00 for A Catalogue of Deception, and ☐ an extra \$1.00 for hard hitting action through "Invasion" (this payment not tax deductible).
- ☐ Here's a cheque for \$... payable to the Smoking and Health Action Foundation. Send me a tax receipt please.
- ☐ Send me more information on ☐ the NSRA and ☐ tobacco advertising.

Name \_\_\_\_\_

Address \_\_\_\_\_ Apt. \_\_\_\_\_

City \_\_\_\_\_ Prov. \_\_\_\_\_ Code \_\_\_\_\_

Mail to:

**NON-SMOKERS' RIGHTS ASSOCIATION**

Suite 308, 544 Bloor Street West, Toronto, Ontario M5S 1W9

Garfield Mullock, Executive Director David Simmons, Staff Counsel

# The insurance crisis

**T**he crisis struck municipalities, companies and clubs across the nation last week. In Ottawa the Canadian Ski Association declared that it might pull its national team off the World Cup circuit because it could not obtain liability insurance—at any price. Two days later a spokesman for the Ottawa-based St. John Ambulance service said that its 14,200 first-aid volunteers were working without liability insurance coverage because the organization could not afford to pay the \$200,000 premium—up from last year's \$16,000. In Saint John, N.B., the nonprofit Cherry Brook Zoo ended a 11-day shutdown when the directors finally found an insurance company willing to provide liability coverage. To pay the \$4,000 premium—up 1,483 per cent from last year's



Noting: Gagné (below) huge increases, soaring losses and the psychology of entitlement

\$600—mayor René Wyss organized a rally. Sex chairman Joseph Coughlin told Atlantic's "We were shocked, in death. We did not realize the situation was this bad." As dozens of groups scrambled to find liability insurance—and more money for lost coverage—the political outcry mounted.

The difficulty in obtaining affordable insurance was felt across the country. In Ottawa 18 Liberal MPs, including House Leader Herbert Gray, demanded an inquiry under the Commons Investigations Act into what they called a "conspiracy" among insurance selling liability insurance. As well, Toronto Conservative MP Donald Baskin, the chairman of the Commons finance committee, requested immediate action. "Our way of life is threatened," he declared. "Faced with those demands, Minister of State for Finance Barbara McDougall said that Ottawa will work with the provinces to solve the problem."

Still, property and casualty insurers who provide liability insurance say that they are not hard-pressed in their clients' interests. The industry appears to be in place as it struggles to cope with a series of critical changes. Industry experts say that the companies are lo-

osing money as liability insurance because the number of claims—and the size of the resulting awards—has increased dramatically. Even claims covered under the reimbursement of government but not covered mounting claim losses, they say. Insurance companies are now refusing to cover their losses—and possible future losses—because of the size of U.S. court awards and a small number of costly Canadian awards.

At the same time, international insurance companies such as Lloyd's of London, which insure the policies of Canadian insurers, have imposed large increases. Under the new arrangement, international companies pick up a portion of the liability on large policies—such as the first \$25 million in a \$90 million policy—in return for a percentage of the premium.

To determine the price of reinsurance,

Lloyd's and others usually examine the record of claims in each insurance area for all North America. That means that the liability record of the United States—with its numerous claims and expensive settlements—is driving up reinsurance rates paid by Canadian companies. As well, major reinsurance firms are staggering from the financial impact of catastrophe claims like some of those made after last year's major air shunters. As a result, they are either withdrawing from the North American market altogether or offering low reinsurance for more money to primary insurance companies.

Faced with reluctant reinsurers and reinsurance price increases of up to 1,000 per cent, many Canadian insurance firms have stopped offering liability insurance—or have raised their prices for reduced coverage. Said Philip Kane, senior vice-president of Na-



tional marketing for Toronto-based insurance brokers Johnson & Higgins Wilfrid Faber Ltd. "There are now only a handful of companies in Canada even willing to touch liability insurance."

That aversion is the result of a dispiriting financial record. In 1982 the Canadian liability insurers industry took an \$421 million in premiums and paid out \$364 million in claims. But the companies paid out \$1.11 in claims and operating expenses for every dollar earned from premiums and from premium investment income. By 1984 premiums brought in \$457 million but claims were \$526 million. That year companies paid out \$1.08 for every dollar earned.

Still, Canadian insurance companies added to their own losses when they became locked in a vicious price war between 1979 and late 1983. When companies such as Strachan's General Insurance Co. of Ottawa, which went bankrupt in 1981, began cutting liability premiums by up to 80 per cent in order to attract money for investment purposes, the entire industry followed suit. "Policies were sold on price and the degree of risk was ignored," said Edward Eitman, president of the Toronto-based Insurance Advisory Organization. Added insurance broker Kane: "There was mismanagement on the part of the insurance companies."

When competition finally lessened during 1985 and insurance firms raised this year's rates to reflect costs, as they did in the late 1970s, the impact on their clients was staggering. If a policy price fell by 30 per cent, it had to double to return to its previous level. As well, some insurance companies are now trying to make premiums—instead of the traditional combination of premiums and premium income—pay for claims and expenses.

The sudden high rate increases also reflect insurers' concern that Canadian courts will match high American awards. As a mark of that fear, some insurance executives now refer to Ontario as "California North" and they cite a landmark judgment to support their claim. Last year the city of Brampton, Ont., was ordered to pay \$5.5 million to a youth who became a quadriplegic at 14 when he rode his dirt bike at full speed around a blind curve in an abandoned quarry owned by the city and crashed into another bike. The court found the city guilty of negligence because it had not posted trespassing signs. That award is now under appeal.

The Brampton judgment also worried industry experts because it underlined the changed attitude toward risk in the past individuals had to prove negligence to win damages. Now, said Philip Gagné, senior counsel for the Toronto-based Insurance Bureau of

Canada, that traditional theory of risk has eroded and "the individual is being protected in spite of his own stupidity."

A recent decision by the Ontario Court of Appeal also set an unusual precedent. The case involved a 1981 auto accident in southern Ontario between Edward Herland and Harry Mottershead. The court ruled that the Royal Insurance Co. of Canada must pay the full amount of the "underinsured motorist endorsement" in the injured passengers in Herland's vehicle. That endorsement ensures that a policyholder is covered by his own insurance company—up to a listed amount—when the offending driver does not have sufficient insurance. The Royal policy stated that the company was responsible for the difference be-



Kane: shrinking the insurance money flow for more generous awards

tween the endorsement amount—\$1 million—and the amount provided by the offending driver—in Mottershead's case, \$300,000. But the appeal court ruled that the firm must pay the full amount of \$1 million, not \$700,000. Declared Belton: "The courts now decide that companies are not insuring what they thought they were."

The price increases that have resulted from those decisions have shocked many insurance clients, some of whom have passed on increased premiums in the form of higher prices. Henry Nitling, the president of Cooper Canada Ltd. of Toronto, says the sporting goods company's liability insurance rose to \$2 million in 1985 from \$200,000 in 1984—largely because it exports its products to the United States, where lawsuits and high settlements are common. Cooper raised the price of

its hockey helmets by \$5 each to help help cover the cost.

Many insurance experts say that the firms will raise next year—and prices will move downward. They point to figures for the first nine months of last year which showed a slight improvement over 1984. During that period insurers paid out \$1.90 for every dollar they earned. For its part, the federal government is considering amendments to the Federal Insurance Act that would force insurance companies to increase their reserves to cover claims losses and to charge premiums that are more in line with risks. These measures might help to deter predatory pricing and violent price fluctuations.

But the insurance crisis may also force many Canadians to re-examine

the whole concept of responsibility. Faced with costly court awards, many institutions have tried to improve their records. They require doctors, says Ann Macleod, for one, the risk management director at Halliday's Victoria General Hospital, less inflated procedure checks to "prevent patient harm from happening in the first place." The hardest adjustment, say many insurance executives, may involve changing social attitudes toward insurance. "It is the psychology of entitlement—if someone is injured, we everyone is right, even if it is your own damn fault," said Belton. "But society is waking up to the fact that this aberration in the civil justice field is costing us a lot of money."

—MARY ANNEGAN with MICHAEL SALTER in Toronto and CHRIS WOOD in Halifax



## A rising media and real estate star

The bulletin swept through the Washington head office of *U.S. News & World Report* with the speed of a late-breaking scoop. The newspaper's owner, Manhattan-born real estate multimillionaire Zuckerman, was flying in from his New York headquarters with his personal public relations agent for a hastily called editorial meeting. As more than 100 staff members jammed into an eighth-floor conference room last week, Zuckerman's announcement in fact came to no surprise after barely one month's editor Shelby Coffey II, 39, had resigned to take over the helm of the Dallas *Fries Herald*. In speeches from a dais, Zuckerman and Coffey thanked each other heartily. But as vice witness later noted, if there had been a typewriter meter in the room "it would have registered a perfect 10."

Indeed, rumors of the two men's deteriorating relationship surfaced last April when—only three weeks after hiring Coffey away from The Washington *Post*—press owner Zuckerman named himself editor-in-chief, taking over the top spot on the marbled Bull, the report that, with Coffey's departure, America's third-largest newspaper lacked a hand-on editor likely would have rated only scant attention at the U.S. press. But the married couple yet another turbulent chapter in Zuckerman's rising progress toward establishing himself as a major force in

American real estate and publishing.

For Zuckerman, 46, whose most frequent female companion is writer-editor Gloria Steinem, 31, life as a celebrity has proved to be a double-edged sword. Six months ago Boston Properties Co.—of which he is chairman and half-owner—won out over 14 other bidders to develop one of the most valuable pieces of prime real estate still left in New York City: the four-story of the newly New York Cosmos in Columbus Circle. With a plan for two prison-studded square to house offices, luxury condominiums and a 200-room hotel designed by Boston-based architect Moshe Safdie, Zuckerman's \$400-million bid set a pre-sale reward for anti-city tax. But the corp led by a New York Times profile to which he strongly objected, saying it portrayed him as a Daddy Krantz-style wheeler-dealer who relished ribbing shoulders with America's giants.

Zuckerman's present is Times executive editor A.M. Rosenthal—with whom he had launched only two days earlier—was him a retrospective apology for the article's "indecent tone." But on the evening media outcry Zuckerman was told the Times was out on an even more critical light. Many critics predict that Zuckerman's acknowledgment about his own press coverage could be harmful for *U.S. News*, where he has recently sought a greater share

of the spotlight as an increasingly involved editor. He has even taken over the newspaper's back page for a two-monthly personal opinion column.

Zuckerman has chosen to make his mark in the two fields in which Concordance have traditionally excelled abroad—but never both at the same time. As he told Moskow's both real estate and publishing involve "an interesting exchange of money and art" and "the ability to live with risk." Still, his involvement in each has been smooth. The brilliant son of a tobacco wholesaler who died when Mortimer was 11, he graduated in economics and political science from McGill University at 19 and took a master of business administration from Pennsylvania's Wharton School of Finance and Law degrees from both McGill and Harvard. But despite his reliance as attorney in the series of lawsuits that have swirled around his career, he revealed that "lawyers help only such people get richer." Instead, joining the struggling blue-blood Boston development firm of Cabot, Cabot and Forbes, Zuckerman rose to become its chief financial officer within three years.

Then he demonstrated an unbridled defiance at deal-making that earned him his first \$5 million by 30. But he ended up losing the firm to recover the full value of his shares in its developments. With the settlement,



Zuckerman: *U.S. News* headquarters: 'the ability to live with risk'

which included 15 California properties, he and partner Edward Land started Boston Properties in 1970. But their first major project, a complex overlooking Boston Common, swiftly ran into what some observers say was an act of organized savagery. Stud Robert Henry, who was executive officer of The Boston Globe at the time. "He took a housing because he was an outsider—a Jewish boy from Montreal who had dared to take on the Wall establishment."

Paradoxically, the battle kept Zuckerman preoccupied enough to avoid being lousy in the 1974 real estate crash. Boston Properties now owns 32 buildings in 45 American cities and controls more than nine million square feet of prime space, including a 50-story tower on New York's Lexington Avenue, which he took

a design firm and three 11 on a city's skyline.

His success has enabled him to buy mansions on Boston's Devon 130 and in Washington's Georgetown, a Park Avenue office and an apartment and a beachfront house in Long Island's tony Sag Harbor, as well as a place in Fernport's 500, where his net worth is estimated at \$100 million. Unlike most wealthy men, he has secured the academic circuit for a rising media band that plays baseball on Saturday mornings at Sag Harbor, Long Island Zuckerman's sense of humor once emerged when he beamed out of a real estate project with a ringing telegram that read: "The deal is off." But Zuckerman "My life has unfolded even my own fantasies."

One of those fantasies remains to play a role in shaping opinion. "From the time I was 12," he said,

"I have been a media junkie." In 1988 he finally entered publishing by reuniting the failing Boston-based Atlantic Monthly magazine.

It is still unclear whether Zuckerman wants to do well here. He does not rule out eventually expanding his media empire. But for now, although the jury is still out on his journalistic prowess, he already rates himself a success as a columnist. "I knew I had survived," Zuckerman said. "I felt, not a loser from somebody who called me every employee in the book."

ers bearing a conflict of interest at *U.S. News*, Whitworth pointed out that even when Apple Computers Inc. and a major defense contractor pulled ads after critical articles, Zuckerman "didn't give me any grief about it. He really hasn't interfered."

But critics note that Zuckerman is following a different pattern at *U.S. News*, where some imagine employees predict that he is leading the magazine on a dissension course. Use of Coffey's mistakes may have been to refute the editorial suggestions and taped interviews that Zuckerman pushed his way. Now Zuckerman has pledged to transfer the bulk of his energies from real estate to *U.S. News*, especially until he finds a replacement editor. But as even his close friends point out, Zuckerman has little interest in news itself. What he desires is to be a voice in the debate over what he calls "public policy." Said Henry: "He wants to become a player."

When confronted with questions about the potential for conflict of interest, Zuckerman invokes the name of Times founder Henry Lane, who became an American power in his own right. But it is to increase the magazine's circulation by \$60,000 from its current \$1 million, he has to take on both Time staff and Newsweek, which for entirely *U.S. News* in subscribers.

That task is delicate because, in trying to attract a younger readership—while, among other actions, a generally acknowledged successful redesign—he cannot afford to alienate the magazine's loyal, conservative, middle-aged, affluent middle-Americans who liked the sedate style that, among other journalists, was if the nickname *U.S. Beacon*. To reassure them, Zuckerman—a lifetime supporter of Jewish writer and Democratic presidential nominee Jimmy Carter—has said that he is an increasingly conservative.

He supports the Reagan administration's tough line against the Soviet Union and Nicaragua. And despite his Canadian roots, he acknowledged that as a 50-year-old man he is "not an absolute patriot." Said Zuckerman: "As an immigrant, I appreciate this country as much as the lot of people who grew up here don't. What I have been able to do here would not have been possible in any other place."

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—MARK MCNULTON in Washington

Coffey: a new chapter



## The bitterest harvest

For Canada's 1,400 sugar beet farmers, 1985 was a disastrous year. Prices, which had peaked at 78 cents a pound for raw sugar in 1975, had eroded by the beginning of 1985 to five cents a pound, severely reducing the incomes of sugar beet farmers who earn a percentage of the wholesale price of sugar refined from their beets. In February many growers in southern Alberta, who said that they needed to earn 38 cents a pound in order to break even, rejected an of-

fer to raise cents a pound from the Alberta Sugar Co., the province's only refinery, and refused to plant beets in protest. According to some farmers, others who did agree to plant received threatening phone calls from their neighbors, and during the spring planting season some of them carried guns on their tractors out of fear of attacks. Last week, as growers in Alberta, Manitoba and Quebec prepared to negotiate contracts for the next planting season, prices hovered around seven cents a pound. As a result, most farmers were violating the recommendations contained in a year-long federal government study as possibly the only hope for saving their industry.



Thibodeau threatened by a surplus of cheap imports, sugar beet farmers are seeking support

fer of nine cents a pound from the Alberta Sugar Co., the province's only refinery, and refused to plant beets in protest. According to some farmers, others who did agree to plant received threatening phone calls from their neighbors, and during the spring planting season some of them carried guns on their tractors out of fear of attacks. Last week, as growers in Alberta, Manitoba and Quebec prepared to negotiate contracts for the next planting season, prices hovered around seven cents a pound. As a result, most farmers were violating the recommendations contained in a year-long federal government study as possibly the only hope for saving their industry.

By the end of January Charles Meyer, the minister of state in charge of the Canadian Wheat Board, is expected to present to cabinet his proposals for a national sugar policy. For

Most experts say that the sugar beet industry cannot survive without public support. In 1979 a one-million-ton crop sold for \$61 million, but in 1985 the 1.2-million-ton crop was worth only \$26 million. Since the 1960s reports of mildly raw sugar—the crystallized result of partially refined sugar cane—have accounted for 30 per cent of the one million tons of sugar sold annually in Canada, but in recent years the price has fallen because of over-supply.

The CSRA has asked Ottawa to impose a tariff that would force refiners to pay at least 20 cents a pound for sugar they import, for at least five years. This would guarantee Canadian beet growers the same general price of 25 cents per pound of beet-produced sugar, which they say is the floor price they need in order to be profitable. But Robert Thompson, president of the Canadian Sugar Institute in Toronto,

which represents three of Canada's four refiners, describes the plan as "preposterous" and be says that the tariff could cost consumers as much as \$200 million to \$300 million per year.

The refiners say that it would be cheaper to subsidize sugar beet growers through the federal Agriculture Stabilization Act, which is intended to smooth out price swings for farmers. From 1977 to 1982 Ottawa paid \$58 million to sugar beet growers under the act to compensate them for some of their losses. Thompson estimates that it would cost Ottawa up to \$20 million to stabilize growers to make money this year.

But many growers say that they are dissatisfied with subsidies received under the act. Declared Bill Samaras, president of the CSRA, "We're still waiting for payments for the 1983 crop year." He added, "We need a sugar policy before we negotiate the 1986 contract with the sugar companies."

In setting that policy, Ottawa faces some political obstacles. A sugar tax would be embarrassing at a time when it is counselling its trading partners to lower barriers to trade.

For its part, the Quebec government must decide the fate of the provincially owned Raffinerie de sucre du Québec in Ste-Hélène near Montreal, the only market for Quebec's 400 sugar beet growers. In the year ended March 31, 1985, the refinery lost \$11.5 million, bringing its total debt to \$20.6 million. Said one top Quebec government official "It is crazy for Quebec to be growing its own sugar."

Meanwhile, growers across the country are anxiously awaiting the release of Meyer's report—and the government's response. Paul Thibodeau, for one, wants to know if he should plant wheat this year on his farm in Clarksburg in southern Alberta, as he did last year. Thibodeau has \$150,000 worth of specialized sugar beet cultivating and harvesting machinery sitting idle on his farm. "We'd still like to grow beets," he said, "but at a fair return." For the Mulroney government, the choice is clear—and difficult.

—CHRISTOPHER DONOVILLE is Calgary with  
—FRANK WALLACE in Montreal

An advertising and information supplement to the January 27, 1986 issue of *Maclean's*



# We could change your ideas about money



Does your money work as hard for you as you work for it? If it doesn't—find out how it can.

How you and your RRESP could change next year or thanks, Mr. Wilson.

Sing a song of sixpence and, like the king, keep on counting...

Life in the fast lanes? or Hedging your bets? What kind of investor are you?



THE INVESTMENT FUNDS INSTITUTE OF CANADA

# Every February, Canadians enjoy a sudden blast of hot air.



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At Investors, we approach RRSPs as we approach all financial planning—with both feet on the ground. The feet belong to your Investors Personal Financial Planner, a specialist in personal investing, taxes and retirement planning 12 months of the year.

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That's why flexibility is so important. Instead of buying a ready-made plan, you'll be able to choose the best combination of RRSP options—from Guaranteed Investment Certificates to a wide range of investment funds designed for guaranteed earnings and capital growth.

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**IG Investors Group**

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A MEMBER OF THE POWER FINANCIAL GROUP OF COMPANIES

THE INVESTMENT FUNDS INSTITUTE OF CANADA  
70 Bond Street, Suite 400, Toronto, Ontario M5B 1G2  
Telephone (416) 363-2158 — Telex 06-22732



## 'How can I manage my money more profitably?'

Many Canadians are asking themselves this question these days. Inflation which reached over 12 percent, interest rates which once touched 20 percent and now are 11 percent or less and income taxes which erode savings are all vital factors leading us to wonder how best to stay ahead.

We in the investment fund business are convinced we have a viable and profitable way to solve these frustrations.

For generations Canadians have saved money and entrusted it to financial institutions in return for interest. It's a process that each of us learned at an early age. But in recent time, life has become more complex. Today, you really need a strategy to capitalize on interest rate swings, tax breaks and even inflation.

Over the next several pages we have set out information which will help develop such a strategy. I sincerely hope that you will find our logic to be thought-provoking and compelling.

I am proud to represent the many managers

and distributors who are members of the Institute. Each gives selflessly to support industry initiatives and is dedicated to excellence in investment management and advice. Each is committed to serving the interests of investors.

Members advertising on the following pages have contributed greatly to the preparation of this supplement. Without their participation this information would not have been available to you and I encourage you to seek further information from them.

Investment is a serious undertaking. Investment is highly personal.

As you read on, I trust you will find what you need to personalize an effective investment strategy to fit your particular needs.

Through its programs, the Institute supports investment funds as a profitable and desirable medium for Canadian investors.

If we can help in any way, please write or telephone the Institute at the address shown above.

Sincerely,

Keith A. Douglas  
President

Serving the investment fund industry in the interest of the investing public.

Advertising Supplement



Your money. You work hard for it and, if you're lucky, or smart, or both, you've got a little left over after expenses to put aside for the future.

But just as you work hard for your money, your money should do the same for you! It should earn income, take advantage of tax preferences, and accumulate at a rate that will help ensure a financially secure future. That's why more Canadians are looking to investment funds for long-term, prudent investment results.

Perhaps you're already among the one million Canadians who have invested some \$9 billion in this growth industry. If that's the case, then you'll know what we're talking about. But just as you may be like many others—preferring the familiar 'savings' formula of financial accumulation to that of 'investing'.

Some people believe that 'saving' and 'investing' are the same thing. But there is a great deal of difference between the two!

## The Savings/Investment Difference

In fact, financial experts draw a strong line between them. Saving, they say, is accumulating cash to meet short-term objectives such as a holiday, or a major purchase. For the long haul, however, investing pays the greatest dividends.

For example, if you put your money into a savings account, your rate of interest will range from three to 6.5 percent. This year's Canada Savings Bonds promise you 8 1/2 percent, while bank term deposits yield approximately nine percent. This kind of income interest is taxed like salary. And your capital, while guaranteed, does not grow in value.

These savings-type vehicles are excellent for your short-term needs—cash is accumulated and you earn interest along the way. But if you're building future financial security, it will take a long time to improve the value of assets using this method. The average Canadian taxpayer will keep only 63 cents of every dollar of interest and is only promised to get his or her money back.

# Investment funds— the profitable investment strategy for millions of Canadians

A long-term investment, such as an investment fund, offers you many more opportunities. Because you own the asset, as in home ownership, you can enjoy the benefit of its increase in value. As well, most funds provide income in the form of dividends. Instead of keeping only 63 cents after tax, as you would with interest, you get to keep all of your capital gains and 94 cents of every dollar of dividend income. Owning assets such as investment funds is much more tax efficient than loaning your money to the government or a financial institution.

But most Canadians are hesitant about investing. Surveys reveal that 67 percent say they'd be willing to put their disposable income into investments—but are discouraged because of lack of knowledge, or even knowing how to start a strategic financial plan. In fact, only three percent of Canadians profess to have any knowledge about investing in general, and the stock market in particular.

That's where this special supplement comes in. It's designed to provide general information about investing that will break that knowledge barrier.

## Components of your Financial Plan

Ideally, all financial plans contain an element of short-term savings, a cash reserve, protection and long-term growth assets. Your particular financial plan should be a custom-tailored blend of these components which suits your age, objectives and temperament.

Many people tend to overlook the long-term investment component of a financial plan. But just as savings accounts and term deposits are important to the savings and cash reserve components, assets that can grow in value and that provide tax efficient income are vital in fulfilling long-term objectives.

## A Balanced Approach

Most investors follow a mixed investment strategy. They maintain a portion of their investments in several

different kinds of growth assets—stocks, real estate, collectibles and so on.

Investment funds can greatly simplify this process of asset mixing. There is a tremendous variety of funds—growth funds, income funds, foreign funds, real estate funds, mortgage funds, dividend income funds, etc. As well, each fund has a unique risk factor that permits you to choose a single fund or a combination of funds to suit your overall needs and plans.

What exactly is an investment fund? It's an investment enterprise in which many investors pool their money together. The fund employs an investment manager to invest their money in a portfolio of securities and the investors share proportionately in the income, gains and expenses of the enterprise. In that way, each investor owns a piece of a large portfolio of securities thereby reducing risk through prudent diversification.

Investment funds are perhaps the only way in which many Canadians could own such a wide variety of securities.

Here is a short list of other advantages offered by investment funds:

### Liquidity

You can ask a fund to 'redeem' your holding at any time. Most funds are valued every day and your order would be processed the day it was received. By law, your cheque must be sent within seven days.

### Convenience

Your investment in a fund is reported to you on one contract; dividends are reported on one contract; you receive only one tax reporting slip per fund; most funds are eligible for RRSPs; you may purchase funds on a monthly or other periodic basis or you may draw a monthly income from a fund investment.

### Tax-Efficiency

Over the long term, taxation of investment income is a very important factor. The typical Canadian taxpayer pays 37 cents of every dollar of income in taxes—this includes interest income. But dividend income attracts only 6 cents in taxes and capital gains are tax free, accumulating up to \$500,000. If you're paying too much in tax, check out investment funds and you could be much further ahead.

### Expert Management

Buying an investment fund is like hiring your own investment manager. Each fund employs a full-time, expert portfolio manager who constantly supervises the

investment program of the fund. No need to worry what or when to buy or sell. It's all done by someone who's trained and qualified to do the work for you.

## Registered Retirement Savings Plans

RRSPs have grown to be one of the most popular ways for people to defer taxes and at the same time save for retirement. The tax break is so attractive that many people now find their RRSPs are of significant size.

We believe that an RRSP could be an individual's largest financial asset. Because the objective of saving for retirement is a long-term one, the objective of the underlying investment in an RRSP should also be long term.

This means that short-term vehicles like savings accounts or term deposits are best suited to RRSPs of people nearing retirement. For others the strategy should be to accumulate the largest amount possible. That strategy is best fulfilled with assets which have growth potential and can also hedge the vagaries of inflation over time.

## Keep RRSP Investments Flexible

Treat your RRSP like the important investment it is. Making a snap decision in the last few days before the RRSP contribution deadline is not recommended. If haste is unavoidable, make the investment choice on the basis of its flexibility so you can change it later.

Remember too, that you're not locked into a particular RRSP forever. You may have to wait until the investment matures but then the RRSP is easily changed to another carrier.

It has been suggested by some people that you should only use interest-bearing securities in an RRSP. We do not agree. You only have to remember that if you're a 40 percent taxpayer your \$3,000 RRSP contribution will yield a \$1,200 tax refund. Therefore the \$3,000 balance in your RRSP only costs you \$1,800 net. The difference over time will more than pay for taxes at maturity, so your investment choice need not hinge on the taxability of the RRSP income. It can be a choice made free of any consideration except the best long-term rate of return after inflation.

The evidence shows that investment funds can satisfy such an objective.





### HOW \$1.00 GROWS Compounded Annually

Year	6%	8%	10%	12%	16%	20%
	\$	\$	\$	\$	\$	\$
2	1.1236	1.1664	1.2100	1.2544	1.3456	1.4400
3	1.1910	1.2597	1.3310	1.4049	1.5609	1.7280
5	1.3382	1.4693	1.6105	1.7623	2.1003	2.4883
10	1.7908	2.1589	2.5937	3.1058	4.4114	6.1917
20	3.2071	4.6610	6.7275	9.6463	19.480	38.337
30	5.7435	10.0627	17.4494	29.9599	85.8499	237.3763
35	7.6860	14.7853	28.1024	52.7996	180.3141	590.6582

This table illustrates the expected growth of an investment at various rates of return where income and/or gains are reinvested each year.

### What the government gaveth—it also took away. Now it's giving more by taking less

With Mr. Wilson's budget, changes have been made to the amounts an individual can deduct from his gross salary for the next taxation year.

In 1985, individuals were allowed to contribute \$5,500 or 20 percent of their income to RRSPs. Some \$27,500 in base salary or earnings were needed to maximize their contribution.

Within the next year, however, the picture will change and will continue to do so until 1990, subject to budget approval. See the chart on the preceding page to see how your maximum contribution to an RRSP may change dramatically with the government's proposed new ratings.

### Will that be a Rolls-Royce or an economy model, sir?

Many people question why they should "invest" rather than save for whatever financial objectives they have in mind. But it's like buying a car—by "saving" and amassing the interest paid to you on those savings, you might be able to afford a mid-size car of average performance and looks.

But by "investing," the chances are you'd be able to afford the deluxe, high-powered model you really want. It's all a question of how you go about it—and how you plan to get the money to realize your dream.

Canadians looking to RRSPs as a way of accumulating funds for their future security are faced with a virtual supermarket of options.

For this reason, it's a good idea to do some research into characteristics, service, performance, taxes, and carrying costs of your RRSP.

### They're legal, they're moral, and they'll only make you fat (financially) if you plan your diet wisely

The major reason for investing is to benefit from growth in your investment. It's rare to take advantage of tax savings, but you should never accept only short-term tax savings as a substitute for the future growth of a good, long-term investment.

If you pay income taxes at the rate of 35 percent, you must earn \$1,538 for every \$1,000 that you will have left over after income taxes. Using an RRSP, the entire \$1,538 could be invested and, in addition, you would be entitled to a tax refund of \$538.

In addition to this significant benefit, the income and growth generated by the investments in an RRSP are not taxed in the plan.

This means, of course, that all income and all capital gains can be reinvested. This is different from



## 900,000 successful investors have some good advice for RRSP owners.

You can save money with an RRSP. Or you can invest money with an RRSP.

Saving is fine. It's very safe. But if you want real growth, and real safety, take a tip from successful investors.

Invest in the Bolton Tremblay Canada Cumulative Fund.

### You'll earn more money.

Our Canada Cumulative Fund is not an ordinary RRSP investment. It's a mutual fund. A type of investment which is quickly becoming one of the most popular in the country.

And with good reason. Mutual funds such as the Canada Cumulative Fund invest in the stock market, where long-term performance has historically exceeded the return on guaranteed interest plans.

In fact, over the past ten years, the stock market has delivered close to a 30% higher return than any savings account type RRSP.

Still, we don't invest in just any stock.

We invest in only proven performers. And not just one or two, but many. We do that for safety.

### You'll sleep nights.

As any wise investor will tell you, diversification is the key to safety. It protects you against a sharp in any one area of the market.

We use that key and we

think you should too. It's easy.

For instance, you can keep the RRSP you have now, and diversify by opening a Canada Cumulative Fund RRSP for additional safety and growth.

### Over \$9 billion already invested.

Investing in mutual funds is not a new idea.

It's simply a smart idea that's becoming more and more popular. In fact, mutual fund investments have more than doubled over the past five years.

Today, 900,000 investors hold almost \$9 billion in mutual funds.

And Bolton Tremblay is one of Canada's leading mutual fund managers.

We've been investing for people like yourself for almost 40 years. And our funds are sold by more than 2,000 independent financial professionals nationwide.

### It's easy to do.

Take the advice of 900,000 successful investors.

Open an RRSP with the Bolton Tremblay Canada Cumulative Fund today.

It's not hard. Simply call your investment adviser and ask for the complete story.

Or send us this coupon and we'll give you all the help you need.

Don't wait. Because the sooner you do it, the sooner you'll have a better RRSP.

YES, I'd like to take the advice of successful investors.

Please rush me the full story on the Canada Cumulative Fund.

Name

Address

City  Prov.

Postal Code  B1

Return to: Bolton Tremblay Funds Inc., 70 University Avenue, Suite 2050,  
P.O. Box 8, Toronto, Ontario M5J 2M1 (416) 595-5300

**Bolton Tremblay Funds Inc.**

Investment services provided by Bolton Tremblay Funds Inc.

Additional information is available upon request.

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# When John explained what a big difference a Self-Directed RRSP would make to our savings, we switched.

Only a Self-Directed RRSP allows you to direct how your savings are invested for extra profit...for that extra margin of comfort that your future demands. Today, more and more people are realizing the big difference in growth between a Self-Directed and a regular (pooled) RRSP really adds up over time. Self-Directed RRSPs still let you make that big tax saving. For example, an individual earning \$40,000 per year and making the maximum allowable \$5,500 contribution will reduce his income tax by over \$2,100. But you must complete your 1985 RRSP contribution by February 28 to get this saving on your 1985 taxes.

At McLeod Young Weir, our Investment Executives are ready to explain the big difference to you. Call one of our 40 offices coast-to-coast or call toll-free 1-800-387-1834.



Investment Executive, John A. Smith, of Toronto

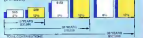
## McLEOD YOUNG WEIR

Trusted financial advice since 1851  
Helping your money work for you



### RRSP SAVINGS GROWTH

Based on contributions of \$5,000/year and savings of 24% vs. 12% in a Self-Directed RRSP over 10, 20 and 30 years.  
\$1,000



investing outside an RRSP where income tax must be paid each year on investment income and capital gains, leaving only the amounts remaining after tax to be reinvested.

Using the amounts mentioned before, we can compare the results of investing before taxes through an RRSP with investing after taxes. In the case of an after-tax investment, we might assume 12 percent rate of return on the investment. But remember that, with taxes at 35 percent, the real rate of return outside the RRSP is reduced by about one-third, and becomes a net return of a little less than eight percent.

With many of the RRSPs bought at the majority of Canada's financial institutions, the funds are locked in for a certain period of time at a fixed interest rate. When interest rates are extremely high, this may be to an investor's advantage. But, generally speaking, the more movable, or liquid, an investment is, the more you can move it around to take advantage of the best rates of return at any given time.

The ability to move RRSP funds at where it is not a luxury found in most RRSP vehicles. But investment fund RRSPs do offer this option for they allow shareholders to sell their shares back to the fund (it's called redeeming them) on demand. Most funds accept redemptions daily, some weekly and others monthly. Shareholders can also transfer between funds of the same group at little or no charge.

You can see how owning investment funds in an RRSP can make your financial plan not only very flexible but also very liquid.

Investment funds have, over time, demonstrated an ability to generate better-than-average rates of return. We all should be conscious of comparative rates of return at all times and be prepared to change investments in an RRSP to ensure results are maximized.

But how to do this without your precious nest egg turning out assembled and not surprisingly up, as you expected?

The secret lies in choosing an organization that ensures this doesn't happen.

### You don't keep a dog and bark yourself

When you want expert advice you go to the professionals, whether that's a lawyer, a doctor, a real estate broker. In other words, someone who knows more about his specialty than you do. It's the same with investments. But in the case of managing your RRSP annual fund investment, it's a case of one-stop shopping.

Investment funds greatly simplify an investment program because they are completely managed by a full-time, qualified investment counsellor.

Your advisor selects investments to be bought or sold, relieving you of making day-to-day decisions about a portfolio. Your investment fund manager also provides full reporting including confirmation of every transaction,

tax receipts, income additions, tax reporting slips on withdrawal, value of accounts and periodic reports. It is a complete service that keeps RRSP owners fully informed and simplifies income tax reporting.

It's that easy, that simple, that efficient. But it's also something much, much more. Your RRSP, invested in mutual funds, is going to grow at a more significant rate than with similar vehicles offered elsewhere.

### Your RRSP checklist

1. For my financial security, an RRSP is

- ☐ Very important.
- ☐ An important supplement.
- ☐ Incidental.

2. I am comfortable with:

- ☐ High risk investments
- ☐ Moderate risk investments
- ☐ Low risk investments
- ☐ Risk free investments

3. Years to retirement:

- ☐ Less than 10 years
- ☐ 10 to 20 years
- ☐ More than 20 years

4. My RRSP investments should grow at least at the same rate as inflation but I would like to achieve:

- ☐ Over 10% more.
- ☐ 5% - 10% more.
- ☐ Under 5% more.

5. I think I can achieve that by using:

- ☐ Guaranteed deposits
- ☐ Investment funds
- ☐ Annuities
- ☐ Self-directed investments

6. My investment objective for my RRSP is

- ☐ Guaranteed interest
- ☐ Growth and income
- ☐ Long term growth
- ☐ Some combination of the above





## John Templeton, 'the Dean of mutual fund managers,' talks about investment strategy.

The Templeton Growth Fund  
\$895,956

A \$10,000 investment in Templeton Growth Fund in November 1954, grew in value to \$895,956 by October 31, 1985.

Mr. Templeton, what method does your organization use to achieve such extraordinary results?

"Superior performance cannot be achieved by any fixed method. You have to be flexible. When any method is adopted by too many investors, it will no longer be profitable because it is no longer selected by that method will already be too high in price."

Then, do you employ some basic principles?

"Yes. One principle is to diversify because no one has the knowledge to predict the future with any certainty. Another is that when you buy an issue for a fraction of its value, it is less likely to decline in price. So, we're bargain hunters."

And you're more likely to find bargains if you search worldwide for them. We also are patient because it sometimes takes years for other investors to appreciate the value of the bargains we've bought.

How do you find stocks that are bargains?

"We analyze a large number of stocks throughout the world and we find some that are selling at half or one quarter of what we think they are worth. These are stocks that are not popular with other investors."

How do you know when to buy or sell a stock?

"We buy a stock when we think it is greatly undervalued. We hold a stock other investors recognize its value and then we sell it to those people and buy whatever is a bargain at that time."

What about market trends?

"I've never known what the market would do next week, next month or next year. And I've never known anyone who could correctly predict what the stock market will do in a month or a year. 80% of the time. Our average holding is five years because it often takes that long for the public to recognize the value which we left when there were no one else to buy. As I said before, we buy when others are selling and we sell when others are optimistically buying."

Look at an investment  
November 1954 to October 31, 1985

\$10,000



**Templeton**  
...the name says it all.

To learn more about Templeton Growth Fund or Templeton Canadian Fund, write or telephone for your R.R.S.P. contact your mutual fund dealer or:

Templeton Management Limited  
44 Victoria Street, Suite 1008, Toronto, Ontario M5G 1Y2

☐ Templeton Growth Fund ☐ Templeton Canadian Fund

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Prov \_\_\_\_\_

Telephone (Area) \_\_\_\_\_

(Ext) \_\_\_\_\_



## Sing a Song of Sixpence

Investing, however, involves putting your money into the ownership of assets.

Obviously, there is a need for both. But let's look a little more closely at the characteristics of each—and where they fit into your financial plan.

*The frog was in the crowning house,  
Counting out his money.*

*The queen was in the parlour,  
Eating bread and honey.\**

*\*From the old English nursery rhyme.*

Save? Invest? Do one, do the other, do both?

Most Canadians prefer to save, perhaps a characteristic inherited from ancestors who felt far more comfortable tangibly seeing and counting their financial assets.

In yesteryears, people hoarded their money everywhere from a household strongbox to their mattresses.

For today's Canadian, the frog's "crowning house" has translated itself into "saving"—making Canadians among the most "savings-conscious" people anywhere.

In fact, we are among the top savers in the world—having approximately one-quarter of a trillion dollars stashed away in our personal forms of "crowning house."

And there's nothing wrong with that! But in any financial plan there's more, in fact there's a need, for both saving and investing. And the functions of each shouldn't be confused with the other, because they're not synonymous. Plainly put, saving is loaning, investing is owning.

Basically, saving is simply not spending all of your disposable income. And if you put that money in typical savings vehicles such as savings accounts, guaranteed investment certificates (GICs or term deposits) or Canada Savings Bonds, what you're actually doing is lending your money to be used by the institution or medium you've put it into.

Therefore saving can be characterized as being money put aside for a specific and, usually, short-term purpose, its main objective being the amount saved and the security of the money in the saving period.

## Saving: providing for the immediate, the unexpected, the short-term

Savings are an absolute necessity, providing a financial cushion that gives you independence as a consumer and security in emergencies.

Once you've looked after all your day-to-day expenses, any money you have left over will probably be put aside for an immediate use such as a holiday or a necessary purchase.

And, as soon as you decide not to spend some of that disposable income, you become a saver.

Thus, if you use savings instruments you...

- have a specific use for the amount saved
- have a short-term goal
- loan your money for an agreed rate of interest
- concentrate on the amount you set aside
- accept as a given the rates of return offered

And it's probably only when you're satisfied that present and near-future needs are met by the money you've saved that you'll begin to look at your future needs. In all likelihood you'll ask yourself such questions as "What am I going to live on in retirement?" "What about inflation?" "How can I be less dependent on salary?"

In order to answer such basic questions and arrive at viable answers and solutions, you would be wise to look to investments as a long-term strategy to ensure future financial security. To do this, let's define exactly what investing is—just as we did with savings.



## Investments: looking ahead to the long-haul

### "Trimark's professional money management doubled our RRSP investment in just 4 years."

Susan & Robert Barber, Toronto\*

"Susan and I are serious about fitness. Our open and that of our RRSP investment. Our broker recommended Trimark on the basis of the principal, risk/reward. Since inception in September 1981, Trimark has doubled our initial investment. And their track record continues to be impressive."

"Both of us work full-time and we're active in the community, so one leisure time is important to us. We feel that investing is also a full-time business, best left to professional money managers. And Trimark's 'no-fee'—and always competitive."

"That's the kind of RRSP performance we appreciate."

"For our personal fitness it's jogging and for our RRSP it's Trimark. Call your local dealer, financial planner or broker to compare the Trimark Canadian Funds with similar funds. You'll agree it's very fit!"

**Trimark**  
INVESTMENT MANAGEMENT INC.

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Toronto, Ontario M5X 1A6  
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\*This is a testimonial. Actual results may vary.

Investment is the employment of money for profit and constitutes anything that will appreciate in value. Antiques, paintings, even stamp collections, are considered "investments." But the most typical or common investment vehicles are stocks, bonds, investment funds, real estate and commodities.

Because the purpose of investing is the accumulation of money over a longer period of time, the rate of return and what the investment yields (or gains)—appreciation, dividends, interest, and so on—are uppermost in an investor's mind.

### You don't have to be a Rockefeller to invest

If you think you've got to have Getty or Rockefeller as a surname before you can become an "investor" you are wrong.

A recent survey conducted by the Toronto Stock Exchange found that, of the almost 10 percent of Canadians that do invest, about five percent of them have an annual income of less than \$15,000 and 61 percent earn less than \$35,000.

As the majority of Canadians fit into either of these two categories, there's little reason for anyone not to give investing thoughtful and sincere consideration.

You've already read about what investment funds are and do. So let's look at a profile of someone who saves their money, and compare it to someone who invests the same amount—say, \$20,000.

Saver A deposits \$20,000 with ABC Bank in a term deposit for one year at 15 percent. Over the year, Saver A will earn \$3,000 and receive his full \$20,000 of principal back when the deposit matures.

Investor B buys 1,000 shares of ABC Bank at \$20 each. During the year, he receives a dividend totaling \$1,200 and at the end of the year, the shares of ABC Bank are worth \$22. In this case, Investor B's return would consist of \$2-per-share growth (or capital appreciation) on 1,000 shares and \$1,200 in dividends for a total

of \$3,200. Investor B is already \$200 ahead of Saver A and that's before applying preferred tax treatment of dividends and gains.

Unfortunately, the value of ABC Bank shares (or any other shares) often vary and this fluctuation cannot be determined in advance; nevertheless an investor (contrasted with a saver) believes that owning a share in a bank will, in the long run, prove more profitable than "lending" the money to the bank for an agreed rate of interest.

Thus, if you invest, you...

- build assets for your general welfare,
- have a long-term goal,
- own assets you can expect will grow in value,
- are totally concerned with maximizing rate of return,
- are actively involved in the ongoing management of your assets

### That's you in the driver's seat

Once you've become an investor, you'll probably find that the confidence that comes from financial security achieved through investing is very satisfying.

And when you're exploring the various avenues to financial independence open to you remember not to choose between savings and investments—participate in both.

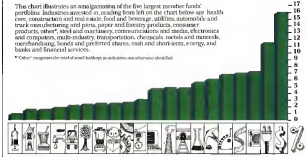
Fullfill all your short-term, specific goals through savings deposits in that you can keep borrowing to a minimum and still enjoy the things you want.

But for a quality of life in the future that leaves you independent of financial obligations and economic reversals, invest. It is a recognized and proven way of controlling your own future.

### Portfolio diversification of investment funds

This chart illustrates an amalgamation of the five largest member funds' portfolios. Industries invested in, reading from left on the chart below are: health care, construction and real estate, food and beverage, utilities, automobile and truck manufacturing and parts, paper and forestry products, consumer products, other\*, steel and machinery, communications and media, electronics and computers, multi-industry, transportation, chemicals, metals and minerals, merchandising, bonds and preferred shares, cash and short-term, energy, and banks and financial services.

\*"Other" comprises the total of small holdings in industries not otherwise identified.



## What kind of investor are you?

Do you know your Investor Type? Are you a Conservative? An Energetic Moderate? Or a hustler in the Fast Lane? To find out, just fill out the following questionnaire.

Every answer earns you points—simply tally your points, listed at the end of the quiz. You'll get a concise summary of your Investor Type and a useful clue to the kind of investment strategy you are most comfortable with. There are no right or wrong answers. If you're comfortable taking risks—that's a healthy and necessary attitude. A moderate strategy can either succeed or fail, while some conservative investors wind up very rich, many years later.

1) The investment that made you so optimistic in August, has withered with the onset of winter—a 20 percent decline in three months. All other factors remaining equal would you:

- a) Do nothing for six more months and wait for a rebound? ☐
- b) Sell and cut your losses? ☐
- c) Buy more and buy fast, because this is a great chance to reap a windfall next year when the

investment meets your original optimistic prediction? ☐

2) You've gotten lucky with a 15 percent rise in your seven-month-old equity fund investment. Do you:

- a) Sell now? ☐
- b) Wait for it to double before you sell? ☐
- c) Climb aboard the bandwagon—buy more? ☐

3) Would you rather have:

- a) Invested in an aggressive growth fund that turned out not to have increased as much as six months? ☐
- b) Put your money in a GIC, only to have seen the aggressive growth fund you had considered investing in go on to make an 80 percent gain in five months? ☐

4) What would give you the most personal satisfaction?

- a) Selling your home at a \$70,000 profit after a six-year occupancy? ☐
- b) Not inheriting \$700,000 from a rich, though distant, relative? ☐
- c) Your \$70,000 was the result of a \$3,000 gamble in the commodities markets? ☐

5) You inherit a good, mortgage-free home. Renovated, it will rent for \$2,000 per month (after a \$20,000 expenditure). As it is, it will bring in about \$1,000 a month from a tenant. Would you:

- a) Sell? ☐
- b) Rent with no further renovation? ☐
- c) Give it a first-rate renovation and appeal to upper crust tenants or co-op renters? ☐

6) Your apartment building is being converted to condominiums. You can move, selling the option for \$20,000, or buy a unit for \$73,000, knowing the market value is about \$100,000. But if you buy, you'll have to borrow a down payment and you don't know how fast you will be able to sell for a top-dollar price. Should you want to move. Do you:

- a) Move and take the \$20,000? ☐
- b) Buy, planning to live in it for several years? ☐
- c) Buy and sell for a quick profit? ☐

7) The small business where you've been employed for five years is raising capital by selling stock to its employees. The business is thriving; it's a good long-term investment but no dividends will be paid for perhaps three years. How much money would you invest?

- a) Zero ☐
- b) One month's salary ☐
- c) Three month's salary ☐
- d) Six month's salary ☐

8) You've got an inside tip from someone 'in the know' on a mineral resource exploration company that may be bought out by a very profitable, much larger corporation. The probability of the deal coming off is 50-50. But if it fails, the likelihood of it appreciating is small. Also, you don't know much about mineral exploration or the potential buyer. How much stock would you buy in the exploration company?

- a) Zero ☐
- b) \$2,500 ☐
- c) \$5,000 ☐
- d) \$10,000 ☐

9) As a contestant on a televised game show, choose your best bet.

- a) \$500 cash right now. ☐
- b) A 50-50 chance of winning \$5,000. ☐
- c) A 20 percent chance of winning \$10,000. ☐

10) Imagine this situation: Inflation makes a comeback towards the end of Prime Minister Mulroney's term of office. International experts doubt that his successor will have the ability to tackle the problem and they forecast a return to double-digit inflation throughout the western world. Both the Canadian and U.S. deficits are still large, though moderately improved. Will you:

- a) Invest in only long-term funds? ☐
- b) Buy into a mix of money-market and real estate funds? ☐
- c) Buy gold? ☐
- d) Buy Canada Savings Bonds and hope for the best? ☐

### TALLY SHEET

Here are the points earned by each response:

1	a) 2, b) 1, c) 4	Your points
2	a) 1, b) 3, c) 4	Your points
3	a) 3, b) 1	Your points
4	a) 2, b) 1, c) 4	Your points
5	a) 1, b) 2, c) 3	Your points
6	a) 0, b) 3, c) 2	Your points
7	a) 0, b) 1, c) 2, d) 3	Your points
8	a) 0, b) 1, c) 3, d) 4	Your points
9	a) 0, b) 3, c) 4	Your points
10	a) 1, b) 3, c) 4, d) 0	Your points
		Your Total

### Your Investment Type

1 to 13 points Conservative	You don't like risks. You might, however, consider taking investment study courses that would give you the confidence to take prudent risks in a carefully balanced strategy.
13 to 23 points Energetic Moderate	You calculate your risks and balance your portfolio in an attempt to realize substantial growth in a few years time.
25 to 36 points Fast Lane	The western world wouldn't be where it is today without people like you—but neither would finance companies and collection agencies. Even exceptionally lucky gamblers sometimes lose in a big way, so make the best bet possible by making a thorough study of the opportunities and getting the best investment counsel available.

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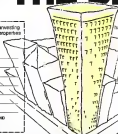
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# Glossary

## Balance Fund

An investment fund, the portfolio of which includes bonds, debentures, or preferred shares, in varying ratios with common stocks. This fund has the objective of providing regular income, moderate growth and safety of capital.

## Bond Fund

An investment fund the portfolio of which is predominantly bonds and debentures. The objective of the fund is to maximize short-term and medium-term income. Distribution Company Company which has the exclusive right to offer shares of one or more investment funds to the public, directly or through other investment fund dealers or brokers.

## Growth Fund

An investment fund which seeks growth of capital as its primary objective. The fund usually invests in common stocks and securities convertible into common stocks. Income plays a minor role in asset selection.

## Income Fund

An investment fund whose primary objective is current income. Such funds generally invest their assets in corporate or other bonds. Some income funds may include high-yielding common stocks in their portfolios.

## Management Company

The business entity that establishes, promotes and manages a fund or funds, each of which is a separate entity with its own board of directors or trustees.

## No-load Fund

Shares of an investment fund offered to the public without a sales charge.

## Re-deposition

Right of a shareholder to sell, at any time, some or all of his shares back to the investment fund for cash.

## Real Property Fund

An investment fund the portfolio of which comprises income-producing real property. Such funds pursue an objective of long-term growth through careful property selection and reinvestment of income.

## Sales Charge

Amount of commission paid by an investor to the sales organization whose representative counsels the investor in the investment planning process and selection of suitable funds for purchase.

## Specialty Fund

An investment fund the objective of which is, through ownership of common stock, to participate in the growth of particular industries, geographic regions or countries.

## Equity Fund

An investment fund consisting of common shares the objective of which is to participate fully in the growth of the economy. Investors in equity funds benefit from both capital gains and dividend income.



## WITH SO MANY CHOICES, HOW DO YOU MAKE THE RIGHT INVESTMENT DECISIONS?



You're thinking about the future. And the financial well-being of those you love.

You want good advice and a clear picture. What you often get is confusion.

Which RRSP is right for you? Should you even be in an RRSP? What's the best way to save for a rainy day? Do you have enough insurance?

Everybody has advice for you. And none of it is quite the same.

So what do you do? Where can you turn for some clear answers?

Eaton's. That's right—the same name you've always trusted as the place to shop for so many of the things you want.

### EATON FINANCIAL SERVICES CAN HELP

Eaton Financial Services can show you how all your choices fit together. They can help you create our clear picture.

You'll sit down with one person, your Eaton Financial Services adviser, and work out the things you need to do to protect what you already have. And what to do to get where you want to be years from now.

### YOUR FINANCIAL DEPARTMENT STORE.

Once you've worked out things together, your Eaton Financial Services adviser has most of the financial services you've ever likely to need.

The Eaton Financial Services subsidiary that manages our seven investment funds is one of the largest in

Canada. And because everyone's needs are different, we've developed a wide range of investment funds for all types of investors, from conservative to aggressive. They are all outstanding performers in their category. And many of them qualify for RRSP investment. The important thing is to find what best fits your own financial situation.

Through our trust company your financial adviser can help you set up the right kind of savings and guaranteed investment accounts, and take care of your total RRSP needs.

And Eaton Financial Services also owns one of Canada's leading insurance companies. Your financial adviser can make sure that you have the right kind of life insurance. And help provide that everything your family has is adequately protected.

Now that the time has come to plan your financial future, isn't it good to know there's one place you can go that will take care of everything for you? Just one choice to make. Eaton Financial Services. Your financial department store.

You can find an Eaton Financial Centre at an Eaton's in most major cities in Canada.

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**A**n AGF CANADIAN TRUSTED INCOME FUND RRSP will earn you more retirement savings than most GIC or term deposit RRSPs. This mutual fund invests exclusively in government bonds so its portfolio is unconditionally guaranteed. Right now, the fund is paying 10 1/2% a year. And CTR is managed by AGF, one of Canada's largest and most successful investment management companies. As well as this year's RRSP, why not invest your less profitable RRSPs from past years in the safe, high-interest government bond fund. To find out more about AGF's CANADIAN TRUSTED INCOME FUND RRSP, call us at 1-800-387-1780 (in Toronto 387-1782) or mail this coupon.

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SEND NO MONEY NOW! NO OBLIGATION! NO RISK! NO CLOSING COSTS! NO COMMISSIONS! NO FEES!	



# If you're looking to make real money in your RRSP then think twice about only investing in GIC's.

Many of you reading this particular issue of "Maclean's Magazine" have a sense of money set aside for your RRSP.

But you are not sure where to invest it. So you are looking for a secure investment that will provide you with strong long-term growth potential.

A GIC for example.

Right? Wrong.

Today more and more knowledgeable investors are getting their funds on a much better investment which is designed to provide long-term growth.

For example, let's suppose that you read this advertisement ten years ago.

October 1975 to be exact.

This is what would have happened if you had invested \$1,000.00 in a GIC or \$1,000.00 in a Dynamic RRSP (See chart below).

The results speak for themselves.

The Dynamic Fund of Canada is a mutual fund that invests primarily in Canadian blue chip companies.

Today the Fund's money is invested in such companies as Canadian Pacific, The Royal Bank, Alcan, CIL, Bell Canada, Sasktel and BP Canada to name just a few of the 40 companies held by the Fund.

In other words, we invest primarily with the "Who's Who" of Canadian business.

The very commercial backbone of the Canadian economy.

With this out of the way, you are probably thinking of how much it is going to cost to invest in Dynamic?

Unlike most Mutual Funds, Dynamic is a NO LOAD — NO SALES CHARGE fund. Like all other funds only a minimal management fee is paid.

Another good thing about Dynamic, is that the Fund is spread widely and the value of your shares published daily in major newspapers across Canada. So your investment needs can be bought and sold weekly.

And talking about management, your money is managed by the very best.

Dynamic Funds Management is a subsidiary of the well known investment management firm of Broad, Goodrich & Company Ltd., Canadian owned since its inception in 1967.

Broad, Goodrich has established itself as one of Canada's premier money managers with over 3.5 billion dollars under its discretionary management. By 1979 Dynamic Funds Management Ltd. was established to provide the large and small investor alike with low cost pooled investment options.

If you want to know more about Dynamic RRSP's or have some further questions, we'd be very happy to hear from you and glad to send you a free prospectus that tells you all about Dynamic RRSP's.

Just send one of these numbers

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**Dynamic Funds Management Ltd.**

74 Victoria Street, Suite 300, Toronto, Ontario M5C 2A5

**BUSINESS WATCH**

## The PMO's impressive talent

By Peter C. Newman

Last week's crucial and delicate conference with Japanese Prime Minister Yasuhiro Nakasone followed the pattern of most of the Mulroney government's encounters on the world stage: it went off without a hitch, in the process enhancing Canada's international reputation and confirming the faith of Mulroney loyalists in their leader.

The planning for that visit—and every other major event since the Tories were swept into power—was the operational responsibility of half a dozen senior members of the Prime Minister's Office, headed by senior adviser Fred Doerflinger.

Being a political organization, any PMO inevitably stumbles into controversy, as well as federal-provincial, intrusive undertakings by the Tory administration—the very policy issues that have been the PMO's most obvious accomplishments and have kept him, after 16 months, in the position of global power broker.

In charge of the PMO's so-called "American file," which has included the acid rain negotiations, planning of the original Shereck summit in Quebec City and the Bonn economic summit.

Doerflinger has been under criticism for the year he spent as chief executive officer of East Coast Energy Ltd. (ECOL), the Halifax-based oil exploration company that was bankrupt last year. Some very senior Tories have pointed out that if involvement with bankrupt companies discredited Canadian officials from public service, John Turner would have a serious problem, since before reversing policies he was chairman of a major capital firm which invested in several companies that failed.

A controversial aspect of ECOL's eventual bankruptcy has been the suggestion that \$255,000 in legal bills was paid to a Halifax law firm headed by Fred Doerflinger's brother Gerald, after the company's financial difficulties became apparent.

Documents that came into my possession last week provide a fascinating inside look at the firm's bills. A letter dated Oct. 18, 1985, from Edmond Chausson, one of Gerald Doerflinger's senior partners, to Paul Marwick Ltd., writing as ECOL's bankruptcy trustee, contains explanations for the bulk of the legal accounts.

Chausson told me, "I fervently deny that payments were made to the firm after assumed creditors had been left in the cold. The last bill paid to us was for a 12-month period when we were doing everything that could be done to secure the financing and keep ECOL afloat. In August 1984, Alan Macdonald, a Calgary lawyer then in charge of the company's affairs, did distribute enough funds to satisfy most of the creditors—except our firm. He determined that because of our long association, their company should get a discount on the outstanding legal bills."

In a letter dated Aug. 24, 1984, from Gerald Doerflinger to Alan Macdonald, the Halifax lawyer detailed the legal charges (with one itemized bill stretching to 30 pages) and agreed to reduce our account fee from \$95,440 to 40 per cent and another fee from \$53,115 to 16 per cent "in recognition of the company's financial difficulties."

These and other facts will no doubt emerge in greater detail in legal proceedings now under way. But the integrity of the PMO is not at issue. Probably its greatest achievement has been in not letting Brian Mulroney appear enough or loudly enough that what Canadians really ache for is a Prime Minister they can respect, rather than one they can love.

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Fred Doerflinger, an interesting investor.

Doerflinger co-ordinated Ottawa's prompt response to the Air India disaster. He also chairs most of the committees that provide the essential liaison between the PMO and senior civil servants. "Fred is a very senior and very valuable member of my staff," Mulroney said recently. "He has been responsible for much of the substantive and organizational planning that made such a success of the federal-provincial conferences, the Nassau Commonwealth meeting and most of our other major initiatives."

Despite these and other accolades,

## 10 YEAR PERFORMANCE

**Dynamic Fund of Canada** VS **GIC**



▲ Asset Growth ■ Initial Investment of \$1,000

**Dynamic Fund of Canada Outperformed a GIC by 80%.**

Based on \$1,000.00 initial investment allowed to compound over the ten year period from October 1985 to October 1995.

\* 1 year period to October 31, 1994 to 1995.

\*\* GIC value based on \$1,000.00 invested in October 1985 with annual payments received in the preceding 3 year GIC term in January 1994 (Source: Bank of Canada Review).

# The dollar in danger

COVER

**T**he verdict was nearly unanimous. Most economists, market analysts and currency traders in the financial capitals of the world agreed last week that it was time to tell Canadian dollars. Many economists criticized the government's apparent inability to cope with the nation's deficit. Analysts noted the dual weaknesses of a recent drop in Canada's trade surplus with the United States and persistently low prices for some of Canada's major exports. And traders responded quickly to their clients' demands to sell. As a result, the Canadian dollar plummeted to a record low trading price (70.67 cents U.S.) and a record low price at the close of any trading day (71 cents U.S.). While the Bank of Canada raised its prime lending rate to shore up the currency, prices of imported goods, loans and savings rose and plans for vacations in the South became less certain.

**Sides:** The dollar's slide took place at a time when Prime Minister Brian Mulroney's government was already under intense pressure to provide clearer policy direction, and it sparked an immediate uproar in the Conservative ranks. Liberal Leader John Turner charged that the dollar's fall reflected "a recognition as the world markets that there is little good management in the Canadian economy." Finance Minister Michael Wilson acknowledged that part of the dollar's weakness reflected concerns in the marketplace that the government was "not showing a sufficient degree of resolve in dealing with the federal government's deficit."

But he defended the government's management of the economy and pledged further action on the deficit in his second

and budget, scheduled for next month. At week's end, he told *Money*: "I can't predict where the currency is going and I am not going to predict. But what I would say is that the fundamentals for the most part are very solid as far as Canada is concerned—economic growth, stable inflation, investment intentions and investment performance."

Opposition members said that the government was sending confusing signals to the money traders. On Tuesday Wilson stated that the dollar's decline was temporary and that it was not the government's policy to allow interest rates to rise to defend it. He added, "I have never felt that any level in the [Canadian] currency is a benchmark one way or the other that must be protected."

Then, as the dollar fell close to 70 cents U.S., the Bank of Canada announced another interest hike—the fifth in as many weeks. Last Thursday's 0.17-percentage-point increase fixed the interest rate that the central bank charges on loans to chartered banks at 10.38 per cent, a jump of nearly one per cent from the first of the year. Said Liberal MP Raymond Gorman, a former banker: "The policy of the Bank of Canada is to push the rate of interest up to protect the dollar. But if the minister of finance does not have the guts to say so, the signal is an ambiguous that the marketplace reacts accordingly."

In fact, international traders cite a variety of reasons for selling Canadian dollars. One factor is Canada's inflation rate, which, at four per cent, is still slightly higher than that of the United States (just 3%). But the principal reason is concern over the federal deficit—and the widespread perception that the



International Monetary Market of Chicago Mercantile Exchange: nervous investors and an issue of Wilson's resolve

federal government is incapable of coping with it. Saul Geoffrey Munnard, chief economist for the Chase Manhattan Bank in London, says "Canada is still running huge budget deficits which the government is not showing much willingness to deal with. The same is true of the United States, but they can get away with it to a certain extent because of the general health and the size of their economy. Canada cannot."

**Targets:** In last May's budget the government reported a deficit of \$29.9 billion for 1984-85 and predicted a \$23.8-billion deficit for 1985. Wilson told *Money* that he expects to meet that target, despite the unanticipated payout of \$875 million to uninsured depositors because of the failure of two Western Canadian banks. But Michael Munnard, chief economist for Merrill Lynch Canada Inc. in Toronto, said that the figures do not take provincial deficits into account. Munnard said that if the federal and provincial borrowing needs are combined, "the deficit is still in excess of \$40 billion, probably closer to \$45 billion." Indeed, expressed as a percentage of gross national product, Canada's deficit is among the highest of the industrialized nations.

Traders also expressed concern over a dip in Canada's trade balance. Last week Statistics Canada reported a November deficit in Canada's trade surplus with its chief trading partner, the United States. Imports there fell 0.3 per cent from October, while the value of

U.S. imports rose \$1.5 per cent. The result: Canada's surplus in trade with the United States dropped to \$4.16 billion from \$3.2 billion. As well, the overall trade surplus of the United States in the first 11 months of 1985 was offset by mounting trade deficits with Japan and Western Europe.

According to Munnard, there is also a general feeling that Canada's trade performance will deteriorate over the next year or so, putting further downward pressure on the dollar. He added: "The economy is expected to grow by only 2.8 to three per cent in 1985, and that will probably lead to more imports. At the same time, the market looks weak for commodities. Put these factors together and you have a steadily worsening trade balance."

But other experts note the Canadian dollar was taking an unfair beating in the international markets. Thomas D'Aquila, president of the Ottawa-based Business Council on National Issues, said, "If you look at all the critical growth figures and compare them to other industrialized economies, we are looking exceptionally good" (page 34). For his part, Wilson told *Money* that "imports are up because there is more basic strength in our domestic economy." As for the deficit, D'Aquila pointed out that the problem "didn't emerge yesterday." He added, "For some of these people to say rumors

about our debt is making the decline in the dollar is really an exaggeration—and it's one that is feeding on itself." Added John Lupley, vice-president in the international bond market research office of Salomon Brothers in New York: "All of the reasons cited for the fall of the Canadian dollar are inconsequential arguments, not current ones. So the weakness of the Canadian dollar is largely based on expectations—including the expectation that the U.S. dollar will continue to fall."

**Markets:** Indeed, concern over the future course of the U.S. economy—and of U.S. interest rates—added to the nervousness in world financial markets last week. Investors, just recovering from the recent drop on the New York Stock Exchange on Jan. 8, sought a traditional safe haven—gold. In Europe the price of the precious metal reached a 30-month high of \$377, fueled in part by uncertainty over continuing U.S.-Soviet tensions. And investors and market analysts eagerly awaited the outcome of a meeting of finance ministers and central bankers of the Group of Five (G5)—Britain, France, West Germany, Japan and the United States—in London at week's end. Economists predicted that the G5 members would agree to hold the U.S. dollar down and attempt to lower interest rates.

Any agreement to lower U.S. interest rates will probably reduce pressure on

the Bank of Canada to maintain high rates. And Wilson said that he is eager to see next month's budget to answer criticism that the nation's economy is being cannibalized. He told *Money* that the government's first budget was partly responsible for the apparent international recession that the government lacks the resolve to deal with the deficit. Said Wilson: "There is a perception that because the government backed away from the old-age security program [so deficits persisted], we've backed away from everything. But we intend to bring in a budget that will lower the deficit further next year."

Many experts say that with such a demonstration of resolve, Wilson and the Conservative government might increase their credibility abroad. Said D'Aquila: "This is the government's last opportunity in its first mandate to make a substantial difference on the deficit. If it misses this opportunity, I think it will be costly politically, not just in terms of business support, but also in terms of jobs and confidence. If they grab the opportunity, I think it could really pay off." But the challenge to the government will be to accomplish its objectives abroad without a major loss of support at home.

—BIL GUINN in Toronto with MICHAEL ROSE and GLENN in U.S. in Ottawa and LARRY GLENN in New York



Wilson determination

# Images vs. reality

COVER

For months the Canadian dollar had drifted slowly downward on world markets. Then, last week currency dealers on Wall Street, in the City of London and in Chicago suddenly decided to sell it in large

amounts—and in a day of frenzied trading they drove it to a historic low point. For many Canadians the attack on the dollar was a rude shock. The country's currency is a vital, valuable and powerful resource. And the general optimism about Canada's economic prospects, buttressed by three years of economic improvement, has fostered the expectation that Canadian money should be worth more than it is in the United States and Europe. But to international money traders the dollar is simply a day-to-day speculative investment—and not a particularly important one.

One report that made traders noticeably nervous said that Canada and Italy had been frostily received when



Bosser's perception that the Canadian economy is fragile

they had requested membership in the Group of Five nations which met in London last weekend to discuss lowering the U.S. dollar and interest rates. The report in *The New York Times* attributed the reason for the refusal to difficulties that Canada and Italy would have in putting monetary discipline taken by the group into effect, and one monetary official was quoted

as saying, "We want members with real governments." The reports and statistics created an uneasy image for the Canadian economy.

At the same time, the actual measurements of the Canadian economy are strong. Economists point to low

inflation and unemployment rates, improved job creation, soaring corporate profits, high productivity, steady consumer spending and increasingly active manufacturing as reasons why the dollar should be strong. Said James Frank, chief economist of the Conference Board of Canada: "It does not make sense." For his part, Finance Minister Michael Wilson declared that the dollar was suffering only a temporary and minor setback. He told *Macdonald*, "The fundamentals for the dollar are very solid in fact as far as Canada is concerned." But he added: "Markets will move. Sometimes they will correct to attain them, sometimes they will react to perceptions of things rather than reality." Indeed, Geoffrey Meppard, chief economist in the London office of the New York-based Chase Manhattan Bank, said that the money market "tends to overreact to what it perceives as political crises."

But Liberal Opposition Leader John Turner said that the dollar's fall was a result of the international community's perceptions of the Mulroney government. Said Turner: "There seems nothing concrete to indicate why the Canadian dollar is falling except for one overwhelming reason. I believe the markets are saying that they have little confidence in the way this government is managing the country and

even though the Canadian government has taken steps to solve economic problems—by increasing revenues through higher personal taxes—some American economists have been critical. Declared economist Alan Reynolds of Polyconomics, a Morristown, N.J.-based think-tank: "Mulroney's tax hikes were a good way to weaken Canada's currency. Capital flows to areas where it drives the greatest after-tax return. Canada's tax climate is already unattractive, and the direction of policy was unsettling."

Still, many foreign money markets

Alarm in New York traders said that reports of Mulroney's indecision on the budget cut estranged sharply with the more determined action of the U.S. government to deal with the same problem. Declared Thomas Robinson, an economist with Merrill Lynch in New York: "What has been building alarm for some time among investors is a belief that government came in with the intent to reduce the deficit and has been very slow—admittedly for good political reasons—to do so. Investors are disappointed." In London, several years ago, most British institutional investors moved out of Canadian currency when resource prices began to decline. Now, said one British bank economist: "What we are seeing is the sum of a lot of small influences, some of which give rise to a lot of confidence in Canada. Without a doubt, one of these factors is that people in the international market are generally disappointed by the lack of resolve of the government."

But the perception that the federal government has, in the words of one foreign economist, "demonstrated that it doesn't want to offend too many people" goes beyond the problem of the deficit. Merrill Lynch's Robinson declared that the traders' negative feeling toward the Canadian dollar "is due to fast-dragging by the Mulroney government on free trade." He added: "Mulroney initially proposed it and then there seemed to be a lot of opposition in Ontario and the issue was self-defeated. That raised the question of how serious the government is and whether Canada is really ready for a free market." But

even when the Canadian government has taken steps to solve economic problems—by increasing revenues through higher personal taxes—some American economists have been critical. Declared economist Alan Reynolds of Polyconomics, a Morristown, N.J.-based think-tank: "Mulroney's tax hikes were a good way to weaken Canada's currency. Capital flows to areas where it drives the greatest after-tax return. Canada's tax climate is already unattractive, and the direction of policy was unsettling."

Still, many foreign money markets



## AT THE MERCY OF THE DOLLAR



experts pointed out that Canadian themselves have contributed to the dropping value of their dollar by buying U.S. currency or investing in the U.S. economy. Declared John Lipsky, vice-president in the international bond research office of the New York-based investment firm Salomon Brothers: "To view this as something that foreign investors are doing is the poor Canadian dollar is quite wrong. Canadian markets and Canadian institutions have been utterly not serious about their currency than foreigners have." Added Ias Antonic, an economist with Lloyd's Bank PLC in London who specializes in the Canadian, Irish and British economies: "There is not a malicious intent on the part of traders to bring down the value of the Canadian dollar."

Foreign economists point out that the Canadian dollar is extremely vulnerable to the international forces at play in the money markets. For one thing, the dollar's volatility is partly caused by its standing as a "safe" or "stable" currency to the U.S. dollar. As a result, it tends to rise and fall along with the U.S. currency. As well, any movement in the value of the yenback on world markets has an exaggerated swing effect on the Canadian dollar. The dollar is also very vulnerable to speculation. Trading in Canadian currency, by international standards, is considered to be very "thin" or low-volume. Because of that, it is susceptible to shocks, because even a small number of trades can affect the market.

Some experts say that the economy's performance has little bearing on decisions to buy and sell money. Alberto Giovannini, professor of international finance and economics at Columbia University in New York and an expert on international currency markets, says traders will acquire their attitude toward a particular currency by talking about the fundamentals of an economy. But, he added, "really they have no interest in fundamentals. You have to keep in mind one thing: traders have a horizon that is incredibly short. They make and lose money over two or three days at most."

Many of the decisions about the val-

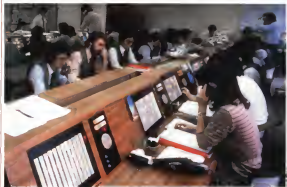


on of the Canadian currency are made by traders in both London and New York whose knowledge of the country's economy is principally formed by newspaper reports. Said Richard Chirry, manager of the New York office of the Montreal-based investment firm Levesque Brothers: "I would guess a lot of the Wall Street financial community gets its information from Canada from a few publications." In fact, there were a number of

arresting anecdotes to speculate. Said Reynolds of Polymetronics: "Basically, the Bank of Canada now has to bribe people to stay in Canadian dollars and attract foreigners to buy them with high interest rates." Fred Allard, for one, a senior dealer in the foreign currency option division of Donaldson, Lufkin & Jenrette, a New York investment firm, which trades between \$80 million and \$130 million worth of Canadian currency daily,

running your currency up and down, though."

One economist at a British bank in London predicted that the dollar would likely weaken further over the next 12 months and added: "Until a few weeks ago most of the economists in Britain felt it was likely to appreciate. We never held that view." But Ian Stuenkel, London-based vice-chairman and head of international operations of Wood Gundy of Toronto, told Mon-



Hong Kong money traders: the dollar is more dependent on Canada's image abroad than on its economic track record

traders interviewed by Maclean's in New York who discussed the Canadian government's lack of resolve to act on economic problems but who did not know the Prime Minister's name. Said Givens: "The characteristic of the currency markets throws into question whether the fundamental policies of governments, designed to shore up or push down the value of their currencies, have any effect. What really works is for a government to enter the market and try to lure the traders."

Indeed, others advocated a tougher strategy for Bank of Canada Governor Gordon. Some traders said that the present policy of intervening when the value of the Canadian dollar drops by buying it in large amounts—creating a demand for it and sending up its worth—makes the central bank as

said that among traders "there is generally a lack of confidence in the Bank of Canada." He added: "It has told people on several occasions that it would back the currency when it hit a certain level—and then when it did, they didn't do anything. That kind of inaction weakens the currency."

**Benson:** The Canadian dollar will likely continue to face the danger of speculation anytime it shows signs of weakness. Explained one New York currency trader: "The Bank of Canada is pretty much fighting a losing war. It cannot raise interest rates much without making unemployment worse. The next couple of weeks will tell you if the Canadian dollar goes to 65 cents or 67 cents. And the thing is that once people start thinking that way about a currency, then the traders will test it. You cannot have foreigners

know." My personal view is quite optimistic. I think the Canadian dollar will climb back to 75 cents by the end of the year and that it will gradually move toward par with the U.S. dollar over the next decade." Whatever way it moves, the dollar will likely continue to be dependent primarily on Canada's image abroad—much more than on its economic track record. Said Salomon Brothers' Lipsitz: "The Canadian dollar has taken a beating basically on expectations. When will it turn? That involves a change in those expectations. And it remains to be seen what event or policy decision will cause that to happen."

—PATRICIA ROSE in Toronto with DAVID LEBOVITZ and LINDA GLENN in New York; ROSS LUTER in London; VERA LAY WICKSTEAD and MICHAEL BOWE in Ottawa and ALAN WILMOTLEY in Toronto



PREMIUM IS PREMIUM.



# Greenback power

COVER

**W**hite House spokesman Larry Speakes was buoyant last week. Fresh statistics had just disclosed that U.S. retailers had celebrated a surging start to the Christmas season, registering gains of 1.9 per cent in sales in December over a year earlier. "With sales booming and the unemployment rate at its lowest level since 1982," Speakes said, "the health of the outside economy can be readily observed by even the most casual observer." That official optimism is often discounted by most economists and businessmen. But last

had added 326,000 new jobs that month. More significantly, the gains were shared by two-thirds of the industries reporting to Labor, including manufacturers who hired 65,000 new employees. That was the third consecutive monthly increase in factory employment after a production slump that had lasted through most of 1989, costing 180,000 workers their jobs. "Our manufacturing sector has withstood the storm," said economist Lyle Granley of the Mortgage Bankers Association, "and demand for domestic industrial output is starting to grow." Consumers are stimulating the re-

fresh stimulus to domestic growth. Major areas of economic concern and political ammunition de reus. U.S. farmers are still struggling with crushing financial burdens, and stable food prices promise them little relief. The economy's new strength also reflects pressure on the Federal Reserve Board, America's central bank, to lower interest rates, although Treasury Secretary James Baker was stating last week in a meeting scheduled that week in London with the Group of 8, the central bankers and finance chiefs of the United States, Britain, France, Japan and West Germany. **Risk:** A more serious risk to the economy is that Congress and Reagan may become involved in a year-long dispute on implementing the Gramm-Rudman deficit reduction act passed late last year, which was designed to force year-to-year cuts in the deficit and achieve a balanced budget by fiscal 1991. But the first mandatory cut,



Lower Manhattan skyline: buoyant spending, rising employment and a resolve to slash the budgeting deficit

we've statement, made in the wake of last year's slowdown to 8.4 per cent in growth was particularly welcome.

**Growth:** Indeed, in the past two weeks Americans have enjoyed a series of encouraging statistics and a new optimism about the economic revival—which makes Canada's uncertain economy seem relatively weak by contrast. Along with the improvement in Christmas sales, U.S. unemployment is down, and output is improving across a broad spectrum of industry. The Bush administration's projection of four per cent growth, made last year, now looks credible, and many private economists are altering their earlier, more pessimistic forecasts.

The wave of good reports began in early January, when the labor department announced that unemployment in December had edged down to a five-year low of 6.9 per cent. Businesses

nowed surge, spending freely despite having run up record levels of personal debt. Consumer installment debt, in fact, has reached new highs in every month since last June, and represents now over one-third of the net worth of Americans' disposable income. But the confidence is maintained by rising personal incomes, sustained low inflation and the "wealth effect" of major increases in stock and bond prices.

**Shower:** Manufacturers, too, have benefited from the rising demand as sales slightly outpaced production in recent months. And that has raised optimism that output may increase further and more workers will be rehired. The roughly 30 per cent fall in the U.S. dollar against major trading partners' currencies since last February has not yet curbed Americans' appetite for imports, but that is expected to happen by autumn, providing a

\$11.5 billion worth (U.S.) due by March 1, are causing strong protest.

Still, those cuts are less harsh than the estimated \$20 billion in deficit reductions that will be needed to bring the deficit down to the law's constitutional target of \$144 billion for fiscal 1991, which begins next Oct. 1. Congressional Democrats are intent on forcing the Reagan administration to curb its defense buildup and raise taxes. For their part, White House officials are preparing for inevitable cuts in social programs and say that tax increases will be voted. As the mid-term election year for the House and Senate unfolds, the march could be near-paralytic in Washington. If that happens, the current mood of optimism could quickly turn into the chill that tends to end most bursts of recovery.

—LENN GYNN • New York

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## The other forest



In ancient Egypt, artisans discovered a process to remove ink from

archival documents, thus producing recycled papyrus. Closer to us, efforts to reuse paper began in Denmark late in the 17th century and the first de-inking patent was issued in England in 1900.

Today, of course, making paper from paper is no longer the domain of a select few. Research, advanced technology and ingenuity have made waste paper an important source of fibre. It has become the other forest.

Since 1975, Canadian pulp and paper mills have more than doubled their consumption of waste paper. More than 40 mills now use a total of 14 million tonnes of waste paper as raw material. It is gathered from households, offices, stores, printers and manufacturing plants, after

processing, it reappears as newsprint, as packaging products, and

as printing and writing papers.

The use of waste paper will increase over the years. Not only does it help to meet environmental needs, it also reduces our demand on the forest resource.

And so, modern technology is wedded to a three thousand-year-old notion to help meet current social and economic objectives that benefit Canadians.

To learn more about Canada's pulp and paper industry, write to Louis Fortier, Public Information Officer, Canadian Pulp and Paper Association, Sun Life Building, 23rd floor, 155 Metcalfe Street, Montreal, Que., H3B 2X9.

**The Pulp and Paper Industry of Canada**



Altyre pledging to reduce the federal deficit in order to restore confidence

## Hard choices for a soft dollar

COVER

With the Canadian dollar plunging to historic lows, the pressure to do something is everywhere—but exactly what? The Bank of Canada has tried to shore up the sagging currency by allowing interest rates to rise, a move designed to make the dollar more attractive to investors. For his part, Finance Minister Michael Wilson offered assurances last week that the government was committed to reducing the federal budget deficit, which, analysts said, had damaged the dollar by undermining confidence in the economy. Still, some economists doubt that those developments will make the decline of the dollar stop at the current 70 cents/U.S. And the debate will not likely silence debate over an issue that has long divided importers and exporters, Liberals and Conservatives.

**Intervention:** Some economists do not even view the dropping dollar as a cause for alarm. Michael Walker, director of the Fraser Institute in Vancouver, rejected the implication "that there is something inherently good or bad about movements of the Canadian dollar." Walker contended that the central bank should not intervene to prop up the dollar, an action, he says, that only encourages more speculation. Some economists who once supported intervention now say that with four per cent inflation, the dollar should be allowed to float. "Canada should quit using the currency as if its head was being challenged," said Carl Blyden, director of Toronto investment firm, Dominion Securities Private Ltd. "There is no basis for permanent devaluation."

**Dropping:** Still, there are distinct advantages from a falling dollar. The chief beneficiaries are resource industries, whose products become cheaper in the U.S. Other gainers are those who export their goods but do not rely heavily on imported materials to make their products, while bargain-hungry travellers cause the Canadian tourist business to boom. Said Richard Blarney, a Queen's University economics professor: "Many people own their jobs to a 70-cent dollar."

But there are plenty of losers, too. The wounded currency is disastrous for importers, who pay out more dollars on foreign markets and pass on the higher costs to consumers. And

that could lead to an increase in inflation for a Canadian economy in which 70 per cent of the annual \$90 billion in imports comes from the United States.

That scenario is precisely what the Bank of Canada wants to avoid. As a result, it raised its prime lending rate—the rate at which it lends money to financial institutions—to 10.75 per cent last week, up from 10.25 per cent the previous week. But that action could backfire by undermining business investment and slowing the job-creation rate. It will also lead to higher mortgage rates—the major banks have already announced increases—consumer loan costs and, possibly, reduced spending. Indeed, higher interest rates could reverse an economic recovery during which unemployment dropped to 16 per cent last month, its lowest level since April, 1982. But Wilson, who confers regularly with Bank of Canada governor Donald Bovey, insisted last week that both the dollar crisis and the increased interest rates were merely short-term fluctuations. "Stability," he said, "will return."

Allen Other analysts are not so optimistic. They say the problems that led to the dollar's fall are deeply ingrained. And while the government can do nothing to affect the decline in world commodity prices, which underpin Canada's resource-based economy, critics say Ottawa must alter the perception that it is not as interested in tight-fittingness as in the United States. Last May the government predicted that the current year would see a \$3-billion drop from the fiscal 1984-85 deficit of \$39.9 billion, and it has placed a further decline for the next fiscal year. As many observers doubt the budget-cutting commitment of Brian Mulroney "So far the Prime Minister has been oscillating," said Andrew Altyre, senior economist at the Toronto Dominion Bank.

There are other, more serious ways to prop up the dollar. It is the past New Democratic Party leaders have called for limits on the amount of money that is allowed to leave Canada and a tax on extra income earned as a result of higher U.S. interest rates. But Washington might well refuse such protectionist measures and currency controls are anathema to the Conservatives. For now, Ottawa seems determined to ride out the crisis on its middle road, hopeful it will not lead to an even deeper hole for the dollar.

—BOB LEVIN with ANN WALSHLEY in Toronto and correspondence reports



Wilson little alarm



# Counting up all the costs

COVER

**T**he pattern was familiar one. When the dollar began to drop on international money markets last week roughly equal numbers of Canadians refused to be duped. The declining dollar resulted immediately in higher interest rates for loans and mortgages. It also drove up the cost of what for many Canadians is a cherished mid-winter tradition—the tropical vacation. And within weeks prices of consumer goods imported from the United States may also rise. But the weakened currency will also likely strengthen foreigners' demand for Canadian goods and services and improve the rate of return on investments such as bank accounts and retirement saving plans. With some economists predicting that the dollar will eventually fall to 40 cents U.S., there may also be a new

round of inflationary pressures that could jeopardize Canada's economic recovery. But others, including Finance Minister Michael Wilson, said last week that the dollar's recent slide may only be a temporary phenomenon. Said James Frank, chief economist at the Conference Board of Canada. "The volatility could go on for a couple of weeks. It is a normal thing to happen."

**Wilder** For one thing, a weak dollar could help reverse the downward trend in Canada's foreign trade statistics. Since 1982, exports to the United States—the nation's major trading partner—have expanded rapidly, and in 1984 Canada had a record trade surplus of \$69.9 billion. But last year that surplus began to shrink. Last week Statistics Canada released figures for November, 1985, showing that exports to the United States fell by 5.3 per cent

to \$8 billion while the value of imported U.S. goods rose 12.6 per cent to \$13 billion. For the first 11 months of 1985 Canada's trade surplus was \$15.5 billion, down \$18 billion from the same period in 1984. Rising imports from—and falling exports to—countries other than the United States left Canada with a total trade surplus for November of \$800 million, down sharply from \$22.5 billion a month earlier.

**Spencer** According to statistics made up by the federal finance department officials, for every one-per-cent drop in Canadian prices, exports to the United States should rise by one per cent. But, said a senior finance department official, "The thing to remember is that the one-per-cent change doesn't take place immediately." He added that the long-term effects of a depressed currency were significant only if they created a demand for Canadian goods in the United States.

A weak dollar is clearly welcomed by Canadian manufacturers who ship their goods to the United States, but there is also a high price to pay for a depreciated dollar. Economists estimate that a three-per-cent decline in the dollar creates a one-per-cent rise in the consumer price index.

Many consumers have already felt the adverse effects. In Ontario either this month the price of some imported

**Florida beach: still heading south**

French wines increased by about 16 per cent. Ontario Liquor Control Board spokesman Christopher Leyton attributed the increases to fluctuations in weather in wine-producing regions of France—and to the weak Canadian dollar, which now buys only 52 francs compared with 73 francs just eight months ago.

But, as the dollar has declined over the past 30 years, many Canadians have been partly cushioned from dramatic increases in prices for such products as imported fruit and vegetables, electronic equipment, autos and clothing. The reason: foreign producers and exporters also absorb part of their higher costs and only slowly pass on increases to avoid discouraging customers with sharp price increases.

**Seater** But eventually, the full costs are felt. Said Maria Nicoletti, manager for Corliss Foods, a small Port Moody, B.C., company that imports preserves from tomatoes and olive oil from Italy. "We have to pay most of our suppliers in American dollars. Because we are in a very competitive market, sometimes we have to sell our imported products for less than they cost on

shore or later we have to charge more for the Canadian products we carry just to keep up."

For his part, Michael Vaughan, the owner of Michael's Meats, a Toronto company selling imported and domestic meats to restaurants and grocers in southern Ontario, said that a depressed dollar may result in some imported products simply disappearing from the Canadian market. Said Vaughan, "I can no longer afford to buy freshly cut fish fillets from the United States because my customers are not willing to pay the price."

Many public and private corporations that borrowed U.S. funds also suffer when the Canadian dollar falls. Similarly, Canadian businesses that purchase equipment or supplies outside the country have to pay more for them. But some Canadian industries, particularly those that export commodities, welcome a cheaper dollar because it provides an opportunity to make short-term profits. Indeed, shares of many mining companies shot upward on the Toronto Stock Exchange last week as investors anticipated improved outcomes. At the same time, those companies are vulnerable because a sharp rise in the dollar would severely reduce their profits.

**Wilder** For Canada's travel industry, a divided currency message more visitors to spend more money on the country's restaurants, hotels and amusements. "It is a terrific lure for tourism right across Canada," said William Dunn, president of the Metro Toronto Convention & Visitors Association, an umbrella organization that represents 800 industry-related companies.

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**Laughlin** choosing not to buy expensive imported goods.

in Toronto. Indeed, Statistics Canada figures show that for the first 11 months of 1985 tourist visits from the United States numbered 11.6 million, up 3.4 per cent over 1984.

In November alone 300,200 American tourists visited Canada, an in-

crease of \$3.8 per cent over the previous year and the highest November level in a decade. Still, said Dunn, the effect of the favorable exchange rate is "not as great as it could be, simply because most people in the United States don't know about it."

**Spencer** That, too, may change. Many travel agents say that they are optimistic that a \$20-million federal advertising campaign scheduled to begin across the United States next month will reverse the flow of American visitors. A prime aim will be to make Americans aware of the extra strength that their dollars have in Canada. Said Dunn, "Once they come and find out that it works out to an additional day or two for free, they need to come back again."

Martha Chapone, public relations director for Golder's, a Toronto-based travel agency with 65 branches across Canada, added that the favorable exchange rate and the publicity for Vancouver's Expo '86 would provide a strong incentive for Americans to visit Canada this summer.

But for many Canadians, the dollar's latest drop may be felt most when they begin planning foreign holidays this winter. Many travellers expressed shock last winter when between January and March the dollar nosedived to 72 cents from 75 cents, and for the first time found themselves paying a 40-per-cent premium on their currency. Still, said Chapone, "because we have not had a dramatic, overnight drop this time, our work has changed. Americans don't make much difference." She added that business has remained steady in Golder's agencies worldwide.

Indeed, Canadians who can afford to travel at all seem to have become used to their currency buying power abroad. The exchange is so bad that my clients are simply ignoring it," said Gordon Salisbury, a travel agent in Hamilton, Ont. And a business Canada spokesman said that last year many Canadians discovered the disadvantages of exchange rates. In the first 11 months of 1985 the number of Canadians who visited the United States increased by 3.2 per cent over 1984 to 38 million. Over the same period, 2.2 million travelled to countries other than the U.S., an increase of 15 per cent.

Indeed, many Canadians appear to have decided that the country's shrinking dollar is not as large a concern as earlier. Over the same period, they consider a holiday in the sun.

—ANN PINLASSON in Toronto



Schwartz: "the upland feel you've never seen"

**S**ix-foot Scarborough, Ont., model **Moska Schwartz**, 14, who became overnight celebrity last week when she won the Supermodel of the World contest in Los Angeles and a \$250,000 (U.S.) contract with the contest's sponsor, the New York-based Ford modelling agency, says there is one thing that she brags about her physique. "My big feet," says Schwartz. "They're the biggest, biggest feet you've ever seen—size 10!" Among her favorite things, she says, are double-chocolate-pudding-and-mushroom pizza, boys with muscles and actor **Spencer Stackone**. President of her Grade 9 class, she wants to be a psychologist. "Ultimately, there are no really top models after the age of 25," she added, and she is looking forward to returning home after celebrating her win in Los Angeles and New York. "I missed my friends and family so much and I can't wait to get back to school." Added the straight-A student, "But I don't miss my teacher. It's boring—even the teacher will admit it."

**T**he grainy screen images produced by **David Cronenberg** (*Rush*), *The Road*, and *48* have caused grown men to go and schools to fund. Now, the Toronto film-maker says he is adding some extended teachers to his re-

make of the classic 1956 horror/sci-fi movie *The Fly*, in production in Kilmory. Out in the original, David Macaulay experiments with a teleportation device, accidentally attracting some of his molecules with those of a fly and ends up wearing the insect's head. In his version, says Cronenberg, the scientist, played by **Jeff Goldblum** (*The Big Chill*), "absorbs the genetic makeup of the fly and begins a transmutation process where he becomes part fly and part human being—and discovers that while he has increased strength and agility, he also becomes the victim of what appears to be an accelerated aging disease but is actually part of a more intriguing transformation."

Added Cronenberg: "There is a certain grandeur in this. It reflects my response to life that once it's noble in its wretchedness." Cronenberg said his changes will be an improvement on the original *Fly* because "it does not age very well. It has some nice moments but it's pretty tacky, really. It's not like doing a remake of *Citizen Kane*."



Queen Elizabeth II 'so congenial'

photographer **Frank Karsh**, 77, says that he enjoyed being the subject of Toronto film-maker **Mary Macleod's** documentary, *The Searching Eye*, scheduled to air on CBC on Jan. 23. What will likely appeal most to viewers is the gossip that Karsh relates about his celebrity subjects—from **Forest Humphrey's** disbelieving reaction to Karsh's \$80 a request for a delphinium ("Good God, at this hour of the day?") to **Ernie Bourke's** teasing comment when she learned that Karsh had just finished photographing Pope John Paul II. "Ah," said Bourke, "from the saint to the sinner." Karsh told Macleod's last week that after a brief photo session, **Stephanie Lewis** argued that he had been there only "for two days and a day at that." And when Karsh's 2004 photographs of **Queen Elizabeth** were published,

he said, "the press wondered what I had done to get the Queen to look so congenial. Our journalist concluded that it was because she and I were such old friends."

—Stacy by MARK MEYER



Loren: 'play at it'

**H**is portraits of the rich and famous have made him a celebrity himself. And American-born Ottawa, phi-

## An intoxicating sense of the beautiful

**A**.J. Jackson headed him as one of the great liberators of Canadian painting. Somerset Maugham based a fictional character on his pleasure-loving, hyper-galant personality. **Heath MacInnis** praised his "diabolic eye" and his "tenderness in the rendering of landscapes." But to the Canadian public, James Morris is still an obscure figure, as well-known and noted as the atmosphere in his tropical canvases.

The retrospective show *Afternoon: A Painter With a View*, now at the Montreal Museum of Fine Arts, lifts the painter into a vivid, sensuous focus. It demonstrates that Morris was more than simply Canada's foremost painter in the post-impressionist tradition; he was also an artist with a strongly individual vision.

The exhibition, which will move on to Quebec City, Fredericton, Toronto and Vancouver, was opened more than 100 oils and watercolors. By no means comprehensive, it is still a testament to Morris's intermittent capacity for hard work. A Montrealer, born in 1868, he studied law in London before deciding in 1896 to leave Canada to pursue his art. For the next three decades Morris was based in Paris. From there he travelled extensively, gathering a mass of international scenes. Indeed, even London's Tate Gallery acquired one of his works, the lush, almost claustrophobic *House in Seaford*, now on display in Montreal. But unlike a later generation of artists, Morris admitted, "I have not the slightest desire to improve the taste of the Canadian public."

Morris was an exuberant hedonist. Painting was his way of relaxing and dispelling the pressures he saw from colors, landscapes and the luxuries of Paris. He told a group of young artists, "When you go to do a painting, forget it." During his first years in Paris, Morris painted symbolically, as if the Continent lay shrouded in a gray mist. The pale faces of his young women in *Blonde Ode* provides the only light in a canvas of obscure gloom. But his work grew brighter and stronger over time and his technique more daring in

Morocco, Britain, the sky, the quiet river and the bare foreground all stand out in green. After 1902 he began to roam North Africa and the Caribbean in quest of visual intensity and a respite from the ranges of alcoholism he died in Tunis in 1944.

His turbulent vitality seems more evident in his late landscapes of Africa and Trinidad than in his languid,

their human figures in the middle distance, safe from intimacy or loss. By contrast, his war sketches of 1918 are remarkable for their sense of movement. Canadian troops at the Front show an aerial doubt, burning shells and a marking squadron. For once, Morris's painting reflects danger and pain.

More casually, he portrays a world of leisure, a civilization in which society appears harnessed. His work details Europe's enjoyment: casinos, bars, races, parks. A private fortune made his leisure possible. Morris's father, a Montreal businessman, had the foresight and forbearance to support his son's career. In return, the painter made regular visits back to his family. Those journeys inspired some of his most eloquent landscapes. His period, debate study of *The Old Hohen House, Montreal* gives rise to a peculiar irony; soon after Morris painted the building it was demolished to make way for the Montreal Museum of Fine Arts.



La Quer des Gens-Argues, Paris with turbulent vitality

serene paintings of Europe. Morris consistently sought an exquisite subtlety free of passion or aggression. His portraits sometimes seem oddly cold, because Morris had little interest in revealing character or emotion, the eyes of his others tell nothing limited, he used portraits, like landscapes, to create a mood.

His mood is usually one of repose. In Morris's art the world seems to pause in a radiant, unbroken glow, as though waiting for some grand event. Such pictures as *The Beach, St. Mo's and Afternoon*, *There all keep*

Whether they evoke a vanished Canada, or a faded Europe, the works in Morris's *Afternoon: A Painter With a View* challenge visitors by their dreamy tranquillity. Morris kept his inner demons out of his art. The large number of oils in his work is the only hint of what Matsuo described as his "unfortunate passion for whisky." The odd sign of mental trouble—including a red wound in his sky above a cry of anguish—makes his work more powerful to contemporary eyes. Yet Morris would not have shared the modern fascination with anguish. The demand he makes is that his spectators enter a realm in which anguish becomes irrelevant. To appreciate Morris, a viewer must be prepared to wallow in beauty.

—MARK ARLEY in Montreal

# The search for solutions to sexual abuse

In August, 1984, the Committee on Sexual Offences Against Children and Youth passed a complaint notice when it reported that more than 95 per cent of all Canadians experience sexual abuse during their childhoods. Toronto sociologist Robin Badgley, chairman of the 11-member federally appointed committee, recommended extensive changes in the Criminal Code to deal with the problem and to punish offenders. His report declared that for the government to ignore his findings "would be negligent." Eighteen months later the Conservative government has not implemented any of Badgley's major reforms. But last week Justice Minister John Crossin undertook to introduce new legislation soon. In an address to an Ottawa conference on youth and the law, Crossin declared, "Our criminal justice system has failed the alarming number of Canadian children who have fallen victims to sexual abuse and exploitation." At the same time, the growing number of sex abuse cases reaching the courts demonstrates that it will take more than simple legislation to curb one of society's oldest and most virulent practices.

In one case, former teacher and school principal Robert Gray Noyes, 37, pleaded guilty in the British Columbia Supreme Court on Jan. 7 to 19 counts of indecent and sexual assault against his pupils. The court learned that Noyes had committed his crimes over a 14-year period before police finally arrested and charged him. In another case, now being heard in Hamilton, Ont., the local Children's Aid Society is seeking permanent custody of two young sisters who have given chilling testimony about sexual abuse, ritual murder and even cannibalism by their father, mother and her boyfriend. That case has focused attention on Badgley's controversial recommendations to prevent the sexual abuse of children. And in other cases brought to court since his recommendations, accused sex offenders have used the Charter of Rights and Freedoms to elude prosecution.

For many parents of abused children, and for the children themselves, the prospect of dealing with police and the adversarial court process still appears to be so formidable that they never press charges at all. But those who do are confronted by an increasingly strained support system. In Halifax, for one, where the Children's Aid Society recently saw a drop of about 50 cases each, there is a three-month waiting

period for psychological treatment of sexual abuse. Similar inadequacies exist throughout the country, according to Neville Avonon of the federal department of justice, who recently reported as public reaction to Badgley's report after meeting with 200 concerned group representatives in his report Avonon wrote, "It was believed to be useless or worse than useless for the federal government to address the legal concerns without having plans for the other elements of programs and services that would be required."

Still, most experts say that the police



Sexual abuse is a crime.



Great agitation alone will not cure one of society's most heinous practices.

discussion of a one-offender subject has encouraged more victims to come forward. Statistically, the increasing number of reported sexual abuse cases against children is skyrocketing. In Ottawa the police department has experienced a 40-per-cent increase in reported sexual assaults since 1981. In Halifax, a north-published 1984 trial of a father and his 10-year-old son, the tortious murder of four-year-old Teddy Nicholas provoked such an outcry that the provincial government mounted a media campaign which stressed that anyone who knew of sexual abuse was legally allowed to report it. There, reported cases of sexual abuse against children rose to 311 in 1984 from only seven in 1982. In Vancouver, since police set up a

one-member sexual assault squad in 1983, the number of reported abuse cases doubled to 113 cases last year. One victim, a 43-day-old girl, had been sexually assaulted. Said Dr. John Hetherington, Vancouver's chief medical health officer: "We don't know whether child sexual abuse is more prevalent now. But the number of cases being reported has increased dramatically."

That increase has often led to legal confusion. The Hamilton case in particular has drawn attention to the credibility of child witnesses. In that case, the sisters' father mother testified



Great agitation alone will not cure one of society's most heinous practices.

that police refused to believe her when she told them about the girls' allegations, which included accounts of grovelling, rape, torture and the forced feeding of the flesh of other children. One social worker testified that on one occasion the children had shown affection for their father, whom they had accused of at least three murders. All another time one of the children said, "None of it happened, my mom didn't hurt me." But the social worker added that she did not believe that confession, in part because experts who examined the children had concluded that the stories were substantially true.

Many lawyers oppose Badgley's recommendations to change the laws which now prevent many children under 14



Foon with daughter Rebecca have programs and techniques to cope with the abuse.

from testifying. They argue that during the trial process repeated interrogations might inadvertently encourage the child's imagination to run rampant or implant information that was never there in the first place. Harold Levy, for one, editor of the *Canadian Lawyers Association Newsletter*, and that allowing uncorroborated testimony from children incapable of understanding an oath would be "incredibly dangerous." He added, "There seems to be a 'beyond-the-doubt movement' which is laid into the children's rights case. But they don't have the right to be believed just because they are children."

For support, Levy cited a case in Jordan, Miss., in which seven children accused several adults of crimes such as those which the Hamilton girls described. Encouraged by a surrounding trial witness, police arrested the adults and the case gained worldwide attention. But the investigation ended abruptly when the children confessed to lying, and all charges were dropped.

For their part, supporters of Badgley's recommendations insist children's evidence "should be reviewed and considered in the same light as that of adults' (adult) that it presents difficulties. Said Dr. Marcelina Diaz, director of the Suspended Child Abuse and Neglect program at Toronto's Hospital for Sick Children, "Often there is no witness, no medical evidence, and if the child's testimony must be corroborated, it is very difficult." Still, Badgley's supporters maintain that the present system is against. Said Lorne Grant, co-ordinator of the Metropolitan Toronto Special Committee on Child Abuse, "Kids should have the same rights as adults." Added Elizabeth Curtis, a case

manager at the Child Protection Centre at Winnipeg's Children's Hospital, "Small children can tell very well what happened to them. They have no reason to lie."

Advocates of legal reform are also concerned about recent court rulings based on the charter which, they say, have been in favor of sexual offenders rather than children. Previously, the laws have stated that children under 14 were considered incapable of consent.

## More a difficult issue to prove



ing to a sexual act with an adult more than three years older. But last year a B.C. Supreme Court judge ruled that an accused child molester can now consent as a defense because the law was discriminatory on the basis of age. In another case, the section of the Criminal Code prohibiting a male from having sexual intercourse with a female under 14 was ruled discriminatory on the basis of sex because it did not apply to female offenders and male victims.

For her part, Maude Barlow, who was former prime minister Pierre Trudeau's adviser on women's issues, is currently organizing a group to present such rulings. Said Barlow: "The goal of the charter is equality of results, and we have to realize that some are not equal to begin with, and interpret the charter creatively." Added John Papp, a Crown attorney in Vancouver, B.C.: "On the face of it, the charter is being used as a bill of rights for child molesters. It's ironic."

Many police and social workers have begun to deal with the increase in sexual abuse cases by setting up special programs, including counselors who talk to children through what is almost always a traumatic experience. Already, Vancouver police are using new investigative techniques and trained volunteers to try to make the process less intimidating to children. In one case a Crown counsel used a McDonald's restaurant as her office to interview a child before a trial. In Toronto specially trained social workers use everything from emotionally neutral dolls to art therapy to find out what has occurred. In a particularly sensitive case last month, several-entire children's drawings. Dennis Poon, artistic director of Vancouver's Greenhatch Theatre for Young People, crafted a book entitled *Am I the Only One?*, a collection of stories and poems, with accompanying pictures, by child victims. Said Poon: "The very child who is suspected of being sexually abused, it will be a very valuable therapeutic tool."

For their part, many police experts say that until laws change to make it easier and less traumatic to prosecute child sexual abuse, many cases will still fail to reach court. Vancouver police investigated 95 incidents involving sexual offences from last October to December and laid 22 charges. But in more than half the cases where charges were laid, the victims or parents chose not to pursue the charges. Clearly, John Crossin and other federal justice officials face a challenging array of legal, ethical and moral issues in their quest to resolve one of the most controversial and compelling issues of the day.

JANE PERMAN is a writer with ANSA. ANSA is a Canadian news agency in Ottawa and Stephen Klerks is in Toronto.

## Fury in a slaughterhouse



West inspection: reports of angry exchanges, intimidation and lower standards

At its best, the job of inspecting slaughterhouses has unpleasant aspects. But for the five federal government inspectors at Golden Province Meat Inc. in Charlottetown, the job is barely tolerable. Over the past three years the inspectors have complained to their union that some plant workers have accused them of excessive harassment, intimidation and verbal abuse. On Dec. 31 the problem came to a head when all five inspectors failed to appear for work. They said that some workers had begun "gossiping" them with names and surnames, including pig bladders filled with urine. As a result, Fred Coates, national president of the Agricultural Union of the Public Service Alliance of Canada, flew from Ottawa to Charlottetown to discuss the problems with plant management. Coates described conditions in the slaughter plant as "intolerable." But he added that similar problems are not unusual in Canadian slaughterhouses and, indeed, that they

were symptomatic of a general decline in meat-packing standards. Those concerns were highlighted in a related development in Toronto last week when Federal Court Justice James Gauthier ruled that a trial concerning conditions in Canadian slaughterhouses would be held in partial secrecy. The case arose after an undisclosed number of meat-packing companies objected to the public release under the Access to Information Act of government inspection reports of their plants. The still-unscheduled trial will determine

Coates: consumers beware



whether the public has a right to view anonymous reports of periodic slaughterhouse "audits" conducted by the department of agriculture. Meat company spokesmen have complained that their release would lead to sensational press reports, undermine confidence in their operations and perhaps put them out of business. But Coates said the continued secrecy was "a travesty" and added "The public should be concerned with the whole processing industry and the reduction of inspection

services of Canadian food products."

That severity is mirrored in confusing and incomplete accounts of the recent events in Charlottetown. Coates said that some plant employees are refusing to obey the inspectors' demands that they maintain proper levels of sanitation and instead responded by hurling waste material. But James MacDonald, spokesman for the plant workers, said that the inspectors were conducting vendettas against those employees. One of the employees, who asked not to be identified, said, "Those bloody inspectors have been breathing down our necks so long, we thought we'd have a bit of fun." Still, neither side is willing to present a full account of the dispute until it is settled. And for his part, plant manager William Mackay said that he too was unsure of what exactly happened on the killing floor.

Coates said that the underlying reason for the problems in Charlottetown and at other Canadian slaughterhouses is the federal government's Frequency of Inspection Levels program, initiated last January to reduce inspectors' overtime. He said that the program has lowered morale among inspectors and limited their authority in packing plants. Still, in the absence of inspection reports there remains no firm evidence of a decline in Canadian meat-packing standards. The only reports available publicly have been released by the U.S. department of agriculture, which reports all Canadian plants that export meat to the United States. Since 1989 the department has prohibited reports from Canadian meat-packing plants that failed to meet U.S. standards on almost 80 occasions.

U.S. authorities first "detained" the Charlottetown plant in 1989. Shortly after, Canada Packers Ltd. sold the facility to the provincial government, reportedly for \$1. Since then, the government has operated it at a loss that amounts to \$15 for every kg slaughtered and processed. The government plans to move the operation to a new \$15-million facility this spring. But the plan is a controversial one, because in order to operate profitably it will need to process 4,500 hogs per week, 1,500 more than mixed farmers currently produce.

The new facility will likely help the Golden Province to resume its export rights. But one inspector who asked not to be identified said that he thought the plant's problems would follow it to the new location. And despite an emergency meeting last week between federal officials and plant management, the chances of a quick resolution of the dispute seemed remote.

—JOHN BARBER with JULIA BINGGOTT in Toronto and BARBARA MACDONALD in Charlottetown

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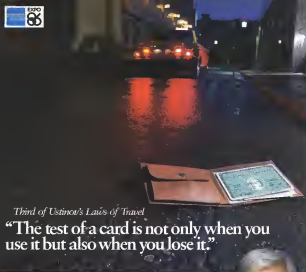
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## MEDICINE

# A debate over early cancer detection

**N**urses of cancer kills more women than breast cancer, and as a result most doctors strongly encourage their patients to check for signs of the disease. Supported by such agencies as the Canadian Cancer Society, they emphasize self-examination and other methods of early detection as valuable aids in fighting the cancer. But last year doubts about early detection's effectiveness arose out of a malpractice trial in Ottawa. After hearing extensive expert testimony, Ontario Superior Court Justice David Henry ruled in September, 1989, that an Ottawa gynecolo-

gist who saw a doctor for a year and a half. Then, after discovering a second lump, she saw a physician at her workplace who referred her to a general surgeon. He performed a mastectomy of her left breast. By 1984 the cancer had spread to her lymph nodes, in 1985 Campbell died a soft spread. Patterson. During the trial in June, 1985, Dr. David Stewart, a cancer treatment specialist at Ottawa General Hospital who looked after Campbell following the mastectomy, testified that Campbell's breast cancer is breast cancer. Henry backed up his judgment in a 109-page summary that relied heavily

also as attribute of a bad cancer that notwithstanding surgery and treatment by chemotherapy and radiation a cancer will recur and will then progress much faster so the patient dies at the same time as if not treated.

Last week Devitt told Moloney's that the opinions he expressed in court were "commonsense and widely accepted" among those who have investigated the natural history and/or behavior of breast cancer. But Stewart, who testified in behalf of Campbell, said: "That was a theory that was popular five to 10 years ago for a brief period, but there is overwhelming evidence that it is not correct for breast cancer. There is very compelling theoretical evidence that early detection is beneficial. Good cancers can become bad cancers over time." Said Dr. Andrew Miller, an epidemiologist at the University of Toronto and founder of the breast screening study: "There is very good evidence that if you have breast cancer it is a question of using the time available to do as much as possible."

Dr. James Goldie of the Vancouver-based British Columbia Cancer Control Agency told Moloney's that the smallest detectable lump—about one centimetre—contains about a billion cancer cells and that as a tumor grows, chances increase that mutant cells will eliminate other threats and turn into secondary cancers. Said Goldie: "The longer the elapsed time, the more likelihood that a secondary cancer will develop and that it will undergo mutations and develop cells that are immune to treatment."

Said, most specialists acknowledge that despite a growing body of compelling evidence, there is still no absolute proof that early detection techniques are effective in breast cancer. In 1986, according to the cancer society, about 1400 Canadian women died of breast cancer, a rate that has not changed in more than 50 years. Miller, for one, says he is confident that new statistics on deaths since 1980 will show the effectiveness of early detection. But in the meantime, Henry's judgment has posed difficulties for advocates of early detection—and for the cancer society. Douglas Barr, chief executive officer of the society's national office in Toronto, said that while many aspects in the treatment of breast cancer are still uncertain, the society will not alter its early detection policies. Added Barr: "We remain convinced our judge does not change the weight of scientific evidence."

—NORMAN LEVINE/FOOD in Toronto



Miller: It is a question of using the time available to do as much as possible.

gist was not negligent in failing to treat a lump in the breast of one of his patients because it could not be proven that the early detection of her cancer—and even treatment itself—would have had any effect on the outcome of the disease. The judgment, which has previously upset many members of the medical community, since it was made widely publicized in *The Medical Post* earlier this month, is often suggested that the cancer was minimal from the moment of its first appearance.

The events leading up to the trial began when a 42-year-old Ottawa woman, Carolyn Campbell—who is an administrator at the Children's Hospital of Eastern Ontario—discovered a lump in her breast in 1980. Her gynecologist, Dr. W.E. Patterson, told her not to worry about it and, as a result, Campbell did

not see a doctor for a year and a half. Then, after discovering a second lump, she saw a physician at her workplace who referred her to a general surgeon. He performed a mastectomy of her left breast. By 1984 the cancer had spread to her lymph nodes, in 1985 Campbell died a soft spread. Patterson. During the trial in June, 1985, Dr. David Stewart, a cancer treatment specialist at Ottawa General Hospital who looked after Campbell following the mastectomy, testified that Campbell's breast cancer is breast cancer. Henry backed up his judgment in a 109-page summary that relied heavily

on the opinions of Dr. James Devitt, a general surgeon at Ottawa Civic Hospital specializing in breast disorders, who testified for the defense. Devitt is also a consulting surgeon for the National Breast Screening Study—a five-year program designed to determine the effectiveness of various methods of early detection. In his summary, Henry said Devitt told the court that in 1980 Campbell's cancer was "an incurable, as threatening, as early, as had a breast cancer as the subsequent course has determined it to be."

In his testimony, Devitt said that breast cancer tumors are either "good" or "bad." He added that good tumors can be controlled but that bad tumors are extremely aggressive from their onset. Henry wrote that Devitt's testimony was "persuasive" and he added "It is



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# Life in a marriage of heaven and hell

THE REAL THING

By Tom Stoppard  
Directed by Guy Spragg

In his earlier plays, British dramatist Tom Stoppard bewitched the world of his wit over such pithy topics as the meaning of existence (*Rosencrantz and Guildenstern Are Dead*) and contemporary philosophy (*Jingoism*). In *The Real Thing* he turns his prodigious power of invention to a theme closer to most people's hearts: the problem of fidelity—or the lack of it—in modern marriage. A kind of thinking man's bedroom farce, *The Real Thing* demands considerable precision from its actors—a challenge largely met in the solid all-Canadian production mounted last month by the Manitoba Theatre Centre and now showing at Toronto's Royal Alexandra Theatre. Led by R.H. Thomson, the most kindly most of Stoppard's rascally leads without blaming them, while developing enough sexual guile to prevent the witty drama from turning into a fencing match. Its merits should encourage the recent trend to Canadian production of foreign language.

*The Real Thing* focuses on a successful playwright, Henry (Thomson) who enjoys impressing his friends—and readers—with his brilliantly epigrammatic reports. What news Henry brings from being merely entertaining in the past of his complex marital relationships. As the play opens, Henry is having a secret affair with one (Kerri Trotter), the wife of Max (Richard Donat), who played the leading man in Henry's most recent drama. Henry eventually leaves his own wife, Charlotte (Bridget O'Grady), to marry Anne. But when Anne starts an affair with a younger fellow actor, Billy (Albert Schellen), Henry finds himself writing in the same kind of rascally he has done to Max. Rather than bare his increased heart—that would be too un-English and too unlike the oblique Stoppard—he spends much of the play making lewd and often profoundly witty pronouncements on love and carnal knowledge.

As the beleaguered, silver-tongued Henry, Thomson brings a charming humanity to a character who could have come across as an arrogant prig. Drawn in a happy marriage and preying through his glances, Thomson plays Henry as an artist with just the right touch of elusiveness self-mockery. When Anne, a strident popular, tries

to persuade him of the merits of a bad play written by a political prisoner, Brodie (Stuart Hughes), Thomson handles Henry's defence of good writing with humourous brilliance. Thomson's only major flaw is that his English accent sometimes falters, although he is much steadier than his colleagues.

The problem with accents is one of the disadvantages that can arise when Canadian companies produce unadapted drama. But increasingly, pro-

fessional backers, Royal Alexandra's owners, Solwin and David Mirvish, are part of that trend. Paired with the option of keeping an artistically inferior read-show version in his theatre, Mirvish opted for the other route of financing a Canadian production of the play.

Of course, simple Canadianism is no guarantee of quality. The current production of *The Real Thing* offers an evening of pleasing entertainment—



Sherry Smith, Thomson, David Mirvish (below): the international mood row

ducers have come to believe that the benefits of using the best local talent outweigh the possible pitfalls. In the past, local audiences usually saw imported read-show versions of important British and U.S. plays. Recently, Canadians have staged a successful version of *Cats*, although artistic control, right down to details of set design, remained in the United States. Last week an all-Canadian production of *An In*, a New York drama about AIDS, opened at the Toronto Play Theatre, as well. Theatre Place announced that it had just obtained rights to two recent New York hits, *Pass of Love and Telling* and *Joe*. *The Real Thing*

but it is possible to imagine the play being done even better. Under Guy Spragg's brisk direction, Donat and O'Grady give strong performances. But Trotter's Anne, while always fierce, appears too much at the same frenetic pitch and provides much of her character's subtlety.

More successful is Albert Schellen's revealing act, which changes tones with the smoothness of a Rubik's Cube. The production puts *The Real Thing*'s owners in the front row of the international theatre scene. And, for the most part, it makes them glad to be there.

—JOHN BURGESS

# Exploration's new era



Kasner with model of Stage 1, 'quantum leap' in underwater resource development

And gas companies continually face legislative problems in their attempts to explore the resource-rich continental shelf off the east coast of Canada. Weather and sea conditions are often unfavourable, and supplies must be transported to support vessels stationed above the shelf—a stretch of seabed along the coast reaching depths of up to 600 feet. As well, manned submersible machines can spend only limited time underwater; current models of submersibles, which hold only one or two people, are limited to 30-hour missions. Now, a Canadian and French consortium says it may have a solution: a nuclear-powered submersible designed to settle on the seabed for up to 27 days, carrying as many as six divers for such tasks as exploration or servicing offshore rigs and pipelines.

The consortium, International Submarine Transportation Systems Inc. (ISTI), Halifax-based by Port Moody, B.C.-based International Submarine Engineering Ltd., Ottawa-based Energy Conversion Systems Inc. (ECS), Montreal-based Genex and Inframer, a French-government oceanographic research institute—plans to apply to the Atomic Energy Control Board (AECB) in Ottawa by the end of March for a licence to operate the first nuclear-powered submersible for commercial use. Declared Alvin Kasner, vice-president of ISTI, which is designing and building the reactor. "We think we are taking a quantum leap in the capability of man to explore

and exploit the continental shelves."

The sub, called Stage 1 and under construction in Miramichi, is due in Nova Scotia by the end of the year to be fitted with its reactor, a relative of the Bismarck research reactor. Then, says Kasner, the sub will be able to travel thousands of miles from port with a crew of as many as 30 and dive to 2,000 feet. He said the consortium hopes the \$120-million project will "open a new era in underwater resource development."

Experts agree that, if successful, Stage 1—the completed submersible—could be a breakthrough in underwater research. Dr. Joseph Dickson, for one, a Canadian pioneer in underwater exploration, is fascinated by the undertaking. And Maclean's "What they hope in that particular package is a revolution. That's the whole idea, the difference." For his part, AECB spokesman Hugh Spence said that "provided the safety-related criteria are met," it is opening it for Canadian waters will not be a problem.

ISTI president Ed Dorn said the company hopes to build a cluster in industry and in the scientific and academic communities. For the first time, its users will be able to do extensive real analysis under sea and even map the seabed. And at least that is a step toward the underwater scientist's goal, as stated by Maclean's, "To get to the bottom and stay there."

—BRIAN JEFFREY STRATTON with SHARON DOYLE DALZIELL in Toronto

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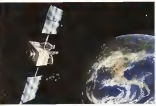
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## FOR THE RECORD

# Unearthing a treasure

### VICKERS

Jon Vickers (tenor),  
Richard Wistock (piano)  
(Continued)

A new recital on a Cansel label by the country's foremost tenor should be cause for celebration. Regrettably, Jon Vickers' latest solo recording, a 12-disc box set of his lastest recordings, is a disappointment. The three West Coast releases arranged by Sir Ernest Macdonald are superb, but too many of the songs by such Canadian composers as John Beckwith are undistinguished. All the subtlety of Vickers' phrasing cannot disguise the blandness of Jon Cook's piano. Sir Michael Long's songs, Vickers' forte is a glorious instrument, it is best suited to works of epic scale.

### SCOTT'S LOTUS HILL

Conducted by  
Peter Fidler  
(Continued)

Nineteen years after it was first performed for Canada's centennial, Barry Scott's magnificent opera of the Elit nation has finally appeared on record. After licensing tapes of the Canadian Opera Company's 1975 performance in Washington, D.C., Centennial, the Canadian Music Centre's label has used the latest sound-enhancement techniques to produce a vivid and properly theatrical three-record set. Scott's pulsating rhythmic assaults and Mayer Mord's last Infamous Heretic's rebuke to capture the opera's baroque fervor. As well, the broad themes of idealism, betrayal and the crushing of megalomania in the process of nation-building help elevate the drama to universal stature. Renowned Toronto music critic is Louis Reid's mad, vulgar monologues and opera's baroque style, as his brother, the Marguerite, sings a thrilling lament for her dying people, Koyas, in One. But individual performances are quickly overtaken by the sense of a communal act, a nation's role of passage. To rediscover Louis Reid, Canada's most important work to date, is to unearth a national treasure.

STRAUSS'S SALOME (HIGHLIGHTS),  
FOUR LAST SONGS,  
"MILVET"  
Eva Marton (soprano),  
conducted by Andrew Davis  
(CBS Masterworks)

Toronto Symphony conductor Andrew Davis is one of the world's best orches-



Turgenev as first: a tragic drama of universal stature

tral accompanists, and he shines when working in the late Romantic repertoire. His concert last year with Hansgert's soprano Eva Marton performing music by Richard Strauss showed Davis at his best. His affinity for Strauss is evident in the annual *Dance of the Seven Veils* from the opera *Salome* and in the passionate symphonic fragment from *The Love of Don Juan*. In both, the orchestra rises to sympathetic, even frenzied heights. At the start of the recording is Marton, who offers a spectacular reading of the feverishly demanding final scene from *Salome*. With recordings of such high caliber, the Toronto Symphony challenges the agency of its Montreal counterpart.

—JOHN FRASER



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# A biography's evolution



Henry and William James, around 1900. Backstage and better, unconscious rivalry

## HENRY JAMES: A LIFE

By Leon Edel  
(Faberberg & Faber, 1996)  
Two pages \$24.95

Biography should read with the sweep and emotional impact of a good novel. By that criterion, Leon Edel's massive history of the great American novelist Henry James—which first appeared in five volumes between 1960 and 1971—has actually improved by being revised and shortened. While Edel's huge original work discouraged all but the most devoted James enthusiasts, *Henry James: A Life* as a more manageable 148 pages. It retains the earlier biography's exhaustive stylistic grace, but more vividly describes the imperativeness of James's career. As well, Edel is more candid about James's private affairs—although certainly the effusive author kept his skeletons in his closet. Indeed, out of the greatest strengths of *Henry James: A Life* is its tactful refusal to indulge in sensationalism. It lets the flux of a fascinating life speak for itself.

That life spanned 73 years and two continents. Born in New York in 1843, the second son of a wealthy, cultured New England family, James spent much of his boyhood traveling in Europe. Coming of age, he could not resist the lure of the history-richened Old World, after lengthy trips to France

and Italy, he settled permanently in England. Yet James never forgot his American roots. The lives of many of his novels were American immigrants abroad, confronting a surprised Europe with their unshaped wealth and sense of individual freedom. With a clear eye on the literary audience, Edel chronicles how James's attitudes to his countrymen always vacillated between horror at their vulgarity and admiration for their fresh wit.

James's views on immigration and mastery of the French language gave him an impressive range of friendships. As a young man he met the rising names of English letters, George Eliot, and reported that she was "magnificently ugly." In France he conversed passionately with Ivan Turgenev and Gustave Flaubert. His intimate relationships prove even more intriguing. Toward his older brother, William, the Harvard psychologist, he maintained a lively friendship that hid a bitter unconscious rivalry; it often erupted in such symptoms as backache whenever William was around. And William, for his part, denigrated the importance of his brother's writing, when William's wife, Alice, murmured in England in 1915 she was worried to discover that her brother-in-law was a famous man.

Still, James was singularly lonely. As Edel points out, he feared women and avoided any intimacy with them.

As for men, he obviously had strong homoerotic urges, but was terrified to act on them. In his later years he took young artists under his wing, including the Norwegian-born sculptor Hendrik Andersen, to whom he wrote lavishly affectionate letters full of such phrases as "I feel, my dear boy, my arms around you." But when one presumes English writer Hugh Walpole offered himself to James, the novelist resisted with a disclaimer, "I can't, I can't." It is hard to imagine why Edel left such incidents out of his original biography. Clearly, sexual mores have changed. But Edel also admits in his introduction that he did not want to offend James's surviving relatives.

Still, it is not unfair to advance—or the lack of them—that this Edel's study. It is the carefully selected details from every aspect of James's career that give the book the texture and dramatic reiterations of good fiction. It is wonderful to observe the petty, whimsical, awkward "dressed in knickerbockers and a pocket of black-and-white stripes" blurring off to visit the ports near his English country home. And it is deeply moving to watch James as he described in the winter of 1905-06, deliciously mocking Americans that read like a parody of his old, elaborate style: *Henry James: A Life* brims with such pictures that, for their pungency and aptness, could have flowed from James's own pen.

—JOHN BROWNE

## MACLEAN'S BEST-SELLER LIST

### Fiction

- 1 *The Moonlight Busters*, David Jay
- 2 *Texas, Mother*, JJ
- 3 *The Handmaid's Tale*, Margaret Atwood
- 4 *Whit's Book in the House*, Gurney JJ
- 5 *Contract*, Steven J.
- 6 *Secrets*, David JJ
- 7 *London March*, Douglas JJ
- 8 *Lucky Collins*, JJ
- 9 *The Red Fox*, Myle JJ
- 10 *Shirley Crew*, Kipp JJ

### Nonfiction

- 1 *Company of Adventurers*, Newman JJ
- 2 *Straiten to the North*, Coulter JJ
- 3 *Islands*, Deacon with Nene JJ
- 4 *Steve and Me*, Freeling with Newman JJ
- 5 *Shocking in the Light*, Maclean JJ
- 6 *Tough, Tough and Jones*, JJ
- 7 *Golden: The Secret Lives of Marilyn Monroe*, Newman JJ
- 8 *My Canadian Home*, JJ
- 9 *A Passion for Excellence*, Peters and Jents
- 10 *My Canadian Home*, Newman JJ
- 11 *Prisoners of War*, JJ

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# Conjuring up a Hollywood North

By Allan Fotheringham

As the poor dinosaurs learned, the world doesn't. That which does not adapt is left behind. To perish, to fail, to become the match upon which we build our succeeding magnificent civilizations, which may contain lion temples, Plato, Beethoven, Bachman, rock videos or Ed McMahon. Do you ever know what you're going to get? You know only see things adapt or die.

In this light, it warms the heart to learn that the man who copes to be the future most powerful person as early as to appear on Miami Vice. George Bush, vice-president of the U.S. of A., has let it be known through his flunkies that he would be willing to do a walk-on part in what, apparently, is the hottest thing on that great cultural device, prime-time TV, a show that features a lot of bullets, pastel fashions, trendy music and the newest macho spirit of the era: a two-day-old Nicolas winner stobbe as the chib.

Your agent wants airplanes these days and watches, in perment, all these pastime youth walking down the aisle looking as if they need to the airport without time to remove their tiny futz. It turns out it is not by accident, they are attempting to emulate Miami Vice two men. A producer of whose hero I've ever seen one. Is George Bush, the last for the top job dribbling down his chin, wishes to dip this low in an attempt to popularize his image. It is to weep.

Bush, you must understand, suffers from what someone delivers as "nerve" or "prepossession." Even his northward comes from Brooks Brothers. He is a millionaire from Yale who pretends to live in Texas. He wants the young note and so he volunteers to be a job part on Miami Vice. Absolutely brilliant. He has watched his boss, a Hollywood No. 2 who never put the girl, broke all polling records as the most popular president in history. If shawen works in the Oval Office, why not try ship.

Allan Fotheringham is a columnist for Southern News.

ping shaving for a day and hit the cameras with the guys who carry the gun.

I think it's unbeatable. Go with the flow. Learn from the dinosaurs. There is tremendous potential ahead for any aspiring politician headed for the top. Bush Mahoney, of course, instinctively comes to mind. There is a Malarie Chevrolet if we've ever seen one. If this can touch him the soft-shoe shiffls, we've got a winner. Barbara McDonald would translate magnificently into a TV version of Bette Davis—actors, alone, necking on a thin

magazine cover and she has a voice that would have made Joan Jett cringe. Lloyd Arendt, who smiled once in 1980, made a heavy Spencer Tracy role to fit his stature.

There are all sorts of possibilities as the line between politics and entertainment becomes ever more blurred. George Bush, in the background watching in admiration as his boss bags the limelight with pre-recorded long-light speeches, has surrendered. If you want to get elected, first get to the cameras—over better, to the studios. His only problem is that he has to find a role. Maggie Thatcher has always appeared as Mrs. Thatcher, with her concrete hands and her artificial accent. Fernie Rearty, on the other hand, is Fred Astaire, fastidious and austere, one of the best men in the Mahoney cabinet. You can't get a hand on him. Pat Carney? The Earth Mother. She is as they used to say about Gilda Merz and Thatcher—"the best man in the cabinet." Michael Wilson (Joni McCrea? Randolph Scott?) doesn't like that, but television reveals only the truth.

What? Well, it's somewhere between him and the Alps and one of the latter denses from Dynasty Lake, who's been glancing. There's a touch of Shirley MacLaine there, a touch of Lily Tomlin, a touch of Our Miss Brooks. Gilda Tomlin is a shimmering Linda Evans with the tongue of Bette Abner. David Crombie? Mickey Rourke, what else? Typenasting. Jake Epp, the invulnerable Terry health center with the clear skin and the clear glasses, is one of these. Finally, morning TV arrangements who are selected with fascination. Their huge inexperience, their self-belief. George Bush could get a lifetime job tomorrow with British Master Theatre, required only to switch his noseache on cue.

Steve Popovich is a natural as a reverend referee—or a warlord. Lucie Pappa, who decorates the back row of the Liberal, could walk on the Dallas aerial tomorrow, with enough wardrobe left over for the next 100 consecutive-raising sessions. George Bush is on the edge of a wire-



nerilla, imperious while the shawenoppers went down before the merengue-hungry bankers. He has a great poker face, worthy of Dallas, or possibly Dynasty, or possibly Mahoney-Land.

John Cooney? Can you imagine the casting directors drooling? A face out of Charles Laughton. With the drill wet of W.C. Fields who, once asked if he wanted water with his scotch, replied, "I'm not sure. I'm thirsty." John Cooney? Can you imagine a more prepossession leading man, a Shit Butler of suburban? Dallas Camp says Joan Chevelle always looks like the driver of the gateway car, so they wouldn't have much of a casting problem there. It's a lookalike for Joan-Paul Belmonte, saying all he needs is a sleek hat and a collar case. His Diana is no longer as pretty as Gilda Hawn, now that his pen is his been drenched. Sheila Copps, the shooter, is a natural for a rock video. She has already posed in black leather as a motorcycle for a



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